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Athens braces for a meeting of Allies, Page 2

World News

UK pledges action to ease African debt burden

A plan of action to ease the debt burden of sub-Saharan Africa would be a key British objective at this month's world economic summit In Toronto, Mr Nigel Lawson, the UK Chancellor of the Exchequer, said. He said it was essential to reduce the burden itself as well as give countries more time to repay.

Japan intends to announce a five-year plan to boost its overseas aid at the summit. Page 26

Pretoria call-up

South Africa called up its army reserve and signalled it would resist any threats from Cuban forces in Angola said to be spread along a 450km front, as little as 12km from the Namibian (South West African) border. Angola said its forces were instructed not to cross the border. Page 6

US-EC trade row

EC suggestions that US restrictions on imported sugar, dairy and other farm products might contravene international trade rules raised the diplomatic temperature in US-EC trade relations. Page 26

Soviets accuse Pakistan

Moscow accused Pakistan of violating the Afghanistan peace agreement by permitting shipments of arms to Afghan rebels and letting US and French instructors cross its border to train guerrillas in missile-use. Page 6

London-Iran talks fail

Britain and Iran failed to reach agreement in talks intended to ease diplomatic relations but Iran sought a further meeting to discuss compensation for damage to the two countries' embassies.

Managua deal close

The last day of negotiations between the Nicaraguan Government and the Contras began, with an agreement close. Page 5

Zia announces cabinet

Pakistan's President Gen Zia ul-Haq announced an 18-member Cabinet, with himself in the Prime Minister's role. Page 6

Japan trade suplus cut

Japan's trade surplus in May dropped sharply to $5.02bn on a seasonally-adjusted basis, according to figures yesterday. Page 6

Seoul students revolt

Thousands of South Korean students broke out of Yonsei university, Seoul, after a day-long siege, attacking police with rocks and petrol bombs, trying to break the cordon.

Soviet-Israeli meeting

Israeli Prime Minister Yitzhak Shamir met Soviet Foreign Minister Eduard Shevardnadze at the UN, despite the 21-year break In relations, to discuss the issue of an international peace conference for the Middle East.

Tatars can return

Restrictions preventing tens of thousands of Crimean Tatars from returning to their homeland in the Crimea, from which they were deported by Joseph Stalin 44 years ago, were lifted. Page 3.

Italians criticised

Nikolai Afanasievsky, a senior Soviet official in Rome said the Italian decision to play host to 79 US F-16 fighter bombers "illogical and contradictory." Page 2

E Berlin attache defects

West Garman security sources said an East German diplomat, Klaus Gruetzmacher, based in Dusseldorf had defected to West Germany with his wife and son.

Waste dumping arrest

Norway's consul-general was arrested In Guinea-Conakry for alleged complicity in the secret dnmping of 15,000 tonnes of American toxic waste.

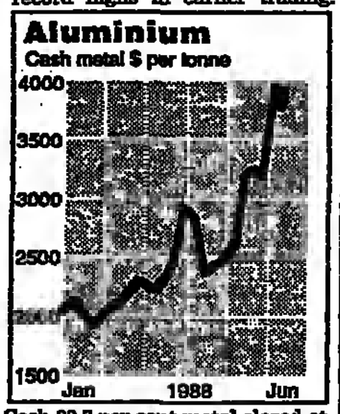
Business Summary

BT reports rise in profits to £2.2bn

BRITISH TELECOM reported an increase in pre-tax profits by 11 per cent to £2.29bn ($3.9bn) in the year to end-March, reflecting higher call volume. Page 32; Lex, Page 26

SEAGRAM, Canadian wine and spirits company, reported a sharp 40 per cent increase in first-quarter income. Page 27

ALUMINIUM: Prices closed well up on the LME after touching record highs in earlier trading.



Cash 99.7 per cent metal closed at $3,925 a tonne, compared with the recent peak of $3,960 recorded last Friday. Page 38

LONDON: Speculative activity in the food sector added zest to a slow market, boosting the FT-SE 100 Index by 13.3 to 1,841.5. Rumours that Nestlé and Suchard had struck a deal over bid target Rowntree, UK confectioner, fuelled gains, despite denials from both Swiss companies. Page 46

TOKYO: Buying enthusiasm gathered momentum following Wall Street's strong overnight rally, and the Nikkei average ended above 28,000 for the first time. It rallied 159.37 points to close at 28,072.02. Page 50

WALL STREET: At 2pm the Dow Jones was down 6.58 at 2096.37. Page 50

DOLLAR closed in London at DM1.7195 (DM1.7185); Y125.20 (Y125.25); SFr1.4360 (SFr1.4230); and FFr5.8060 (FFr5.8000). Page 39

STERLING closed in London at $1.8150 ($1.8180); DM3.1200 (DM3.1250); Y227.35 (Y227.75); SFr2.6075 (SFr2.5875); and FFr10.5375 (FFr10.5450). Page 39

PERNOD RICARD, French drinks group, won the first round in its legal battle against Coca-Cola, which recently broke off production and distribution agreements with Pernod dating back to 1949. Page 29

LVMH, French champagne, cognac, luggage, and perfume group, is negotiating the acquisition of a large stake in the Burgundy-based Leroy wine merchants and growers. Page 29

CARREFOUR, large French hypermarket group, and Castorama, France's leading chain of do-it-yourself stores, are to become partners. Page 28

DOME PETROLEUM: Calgary-based energy group's shareholders have approved tha C$5.5bn (US$4.5bn) sale of the beleaguered group to Amoco Canada. Page 27

GULF + WESTERN, high-flying New York conglomerate, expects earnings growth of up to 13 per cent and another record year in 1988. Page 27

INVESTCORP, Bahrain investment bank, has failed to take control of the Italian fashion house Guccio Gucci Spa's board of directors, sources close to Gucci said.

CYRIL WAGNER and Jack Brown, two Texan oilmen who have been attempting to take over USG, big Chicago-based building products group, dropped their $1.64bn offer for the company. Page 27

MITSUI & CO, Japan's leading trading house, boosted worldwide net profits by more than half to reach Y23.15bn ($184.3m) in the year to March, compared with Y15.23bn. Page 28

Arab leaders put Palestine issue back centre-stage

BY ANDREW GOWERS IN ALGIERS

ARAB LEADERS were last night expected to call for the replacement of Israeli occupying troops in the West Bank and Gaza Strip by an international force, and to set up a committee of foreign ministers, led by Algeria, to press their demands with members of the United Nations Security Council.

At a special summit called to express support for the six-month-old Arab uprising in the occupied territories they are also understood to have agreed to provide additional financial backing for the Palestinians, to continue existing aid arrangements for *Jordan and Syria* and to call for the reintegration of Egypt into the Arab fold as soon as possible.

The resolutions appear designed to place the Palestine issue back at the centre of Arab concerns, to step up pressure on the US to take account of the Palestinians' "legitimate national rights" in its Middle East diplomacy, and to build on both the uprising and the recent superpower rapprochement to advance their cause.

However, they make no mention of the Arab-Israeli peace plan advanced this year by Mr George Shultz, US Secretary of State, despite demands by the Palestine Liberation Organisation for outright rejection of his proposals.

Nor, apparently, do they contain any explicit reference to the establishment of an independent Palestinian state as urged by the PLO but vehemently opposed by Israel and the US. Instead, they reaffirm general statements of support for Palestinian self-determination, and for the convening of an international peace conference with full negotiating powers and with the PLO participating on an equal footing with other parties.

A specific resolution on the uprising demands withdrawal of Israeli troops from the occupied territories and their replacement by an international force; guarantees on the implementation of the Fourth Geneva Convention on

Continued on Page 26
Arab ranks close-up: Page 6

King Fahd of Saudi Arabia (left) walks with President Hafez Assad of Syria to the conference room yesterday as Arab leaders began their third day of meetings

OECD says failure to narrow trade gap could trigger recession

BY SIMON HOLBERTON IN PARIS

FAILURE to correct the large trade imbalances of the US, Japan and West Germany could lead to another steep fall in the dollar, which could in turn trigger a recession in the US and Europe, the Organisation for Economic Co-operation and Development warned yesterday.

The Paris-based organisation also suggested that higher interest rates might be needed in the US to dampen inflation.

In its latest Outlook report, the OECD questions whether financial markets would be prepared to finance indefinitely the US current account deficit at current exchange rates. The events of last year, including large-scale official intervention in the currency markets, the rise in US interest rates and the steep fall in share prices in October "suggest that orderly financial flows cannot be taken for granted."

The report says that the economies of its member countries are, on aggregate, set to expand at a healthy rate of growth this year and at a slightly slower rate in 1989.

The expansion will be uneven, however, with the US and Japan growing strongly while growth In European OECD nations will be sluggish. European unemployment is forecast to rise slightly by the end of 1989.

In many countries within the OECD tha focus of attention since last December had switched from concern about recession to concern about inflation, says the report. This was especially so in the US where there would be a need for higher interest rates to contain incipient inflationary *pressures, signs of which can be* seen in the form of capacity constraints and labour market tightness.

The OECD used data up to May in the compilation of its forecasts. Since then the Federal Reserve, the US central bank, has adopted a less accommodative monetary policy stance and key short-term interest rates have risen.

Mr David Henderson, head of the OECD's economics and statistics department, said he thought a further tightening of US monetary policy would probably be needed if the US economy continued to grow at a rate above the 2¾ per cent projected by the OECD for this year.

The Organisation said the UK could also record higher inflation, although recent economic indicators were ambiguous. Nevertheless, the Organisation has doubled its forecast for the UK current account deficit since it last reported in December.

In spite of its more optimistic outlook for growth this year the *OECD does not believe that there* has been much change in the fundamental problems facing the world economy, especially those relating to the US budget and current account deficits.

The result of another steep fall in the dollar would be rising interest rates in the US, which would lead to a recession, and a

Continued on Page 26
Background, Page 2; US-EC trade tensions increase

US company investment to rise

BY ANTHONY HARRIS IN WASHINGTON

US COMPANIES plan a sharp increase in planned spending for this year, according to the latest survey of US business investment plans.

The survey, released by the Department of Commerce yesterday, shows the biggest annual increase since 1984.

The new total of $430.2bn is $7.3bn higher than was shown in a survey completed in March, and 10.7 per cent higher than in 1987. Investment spending last year rose 2.4 per cent above the 1986 figure.

Plans are particularly strong in materials industries which are now short of capacity: paper, chemicals, steel and glass, as well as in aircraft and computers.

In volume terms, this year's increase is put at 11.9 per cent, since the latest information suggests that the price of capital is now projected to *fall* by 0.8 per cent during the year. It was previously thought to be rising slightly.

The announcement also shows, however, that actual capital spending in the first-quarter was virtually unchanged from the record fourth-quarter 1987 figure, instead of rising by more than 3 per cent, as the previous survey had suggested.

A sharp recovery, with a 4.7 per cent rise, is now expected in the current quarter, but spending in the second half of the year will grow at a more moderate pace, with projected increases of 2.1 and 1.3 per cent in the last two quarters.

The most bullish plans are reported from non-durable manufacturing, with an increase of 14.5 per cent, led by the paper industry, which is currently unable to meet demand. Durabla goods manufacturing plans a 9.5 per cent rise in spending, but this is influenced by a 4 per cent fall in planned motor industry investment.

Thorn raises bid for Holophane

BY CLAY HARRIS IN LONDON AND GEORGE GRAHAM IN PARIS

THORN EMI, the UK electronics and entertainment company, yesterday increased its takeover offer for Holophane, the French lighting equipment and industrial glass group, underlining its *drive for international expansion* in lighting.

Thorn's naw FFr912.5m ($157.3m) bid tops by 15 per cent last week's offer by Emess, the UK lighting and electrical accessories group, which received the "irrevocable" backing of a majority of the French company's shareholders.

In a separate move yesterday, Thorn gave further evidence of its intention to expand core businesses in international markets and to withdraw from narrow, nationally-based operations.

It agreed to sell its 51 per cent stake in Thorn-Ericsson, the UK telecommunications equipment manufacturer, to its Swedish partner in the joint venture. The price has not been decided.

In France, meanwhile, Thorn's increased offer has given another jerk to the tug of war between the two UK companies.

Mr Colin Southgate, Thorn chief executive, yesterday angered his rival and his target *by stating that recent discussions* with the management of Holophane and Europhane, its lighting subsidiary, "have confirmed their support for an alliance which will significantly improve the International growth prospects for both companies."

Emess and Holophane said this implied incorrectly that the French company's board had backed away from the recommendation which included irrevocable acceptances for the Emess offer from shareholders representing 57 per cent of Holophane's capital.

Holophane repeated its support for the Emess bid and said it had lodged a formal complaint about the Thorn announcement with the Commission des Operations de Bourse, the French stock exchange regulatory authority.

Mr Aimery de St Mars, Holophane chairman, said Thorn gave the *impression* that he and his fellow directors had performed an about-face and were now in discussions with Thorn, which was not the case. "It is absolutely scandalous," he said.

Mr de St Mars said that even a further increase in the price offered by Thorn would not shake his commitment to the rival bid of Emess.

However, Thorn indicated that Mr de St Mars had taken part in friendly discussions as recently as yesterday.

Thorn's financial advisers also note that the Emess offer has not yet been formally registered by the Paris stock exchange, since it is still conditional on the approval of the UK company's shareholders.

Until than, they claim, the offer cannot ha considered to exist.

Lex, Page 26; Thorn and Ericsson drift apart, Page 27

Little prospect of early action on EC takeovers

BY GUY DE JONQUIERES IN LONDON

THERE IS little prospect that the European Community will act soon to harmonise national rules on takeovers, Lord Cockfield, the British member of the European Commission responsible for the internal market, said yesterday.

Mr Michel Rocard, the French Prime *Minister*, has called for common rules in the face of the growth of takeover activity In Europe. He wants the EC to ensure that member countries grant equal access and treatment to bidders from other parts of the community.

In Britain, the battle for the Rowntree confectionery company involving Nestlé and Jacobs Suchard of Switzerland has fuelled demands by some British companies and politicians for greater international reciprocity on the conduct of takeovers.

Lord Cockfield told a Financial Times lunch in London for members of the international financial community that it would be difficult to legislate a "level playing field" for takeovers in the EC. At least half the community's members had no national takeover legislation or relied largely on self-regulation.

"It will not be easy, therefore, to find common ground. The whole subject and how to tackle it at the European level is one which merits much study and reflection – including the question of what kind of 'defensive measures' by firms vulnerable to takeover bids are acceptable," he said.

The Commission would continue to enforce competition law and to oppose national discrimination against share purchases by investors from other parts of the EC.

It had recently tabled proposals on control of large cross-frontier mergers and planned later this year to propose rules whicb would require both sides in a takeover to make proper disclosures to shareholders.

Lord Cockfield also sought to allay UK concern that the planned single European market in financial services wonld require the City of London either to admit unregulated outsiders or to submit to excessive supervision by the EC.

Firms would ba licensed to operate throughout the EC only if they met high common standards of supervision and capital adequacy. But individoal countries would be left to fill in the details, and Britain would remain free to enforce the provisions of its Financial Services Act on marketing and advertising.

Lord Cockfield praised Britain's pioneering example in the supervision of financial markets and said the Commission and other EC countries would want to learn from it. He urged the UK to support a co-ordinated EC approach to supervising securities markets, on which international co-operation was still poorly developed.

Completion of the internal market, planned for the end of 1992, would not mark the end of the EC economic integration process. "After the single market comes the single economy," he said, adding that a Commission White Paper (discussion document) on this objective would be needed before long.

The Community must aim to create a single currency as soon as possible after 1992, he said. Freedom of capital movements, strengthening of the European

Continued on Page 26

Carrington warns West not to relax defensive stance

By David White in Madrid

THE WESTERN allies should not relax tbeir defensive stance despite public impatience for more breakthroughs in East-West *detente*, Lord Carrington, the outgoing Nato Secretary General, warned yesterday.

Altbough there was confidence that the East-West dialogue was "established, regular, and getting broader and deeper," the West should not expect early defence cuts or an easing of the financial burden, he said at the opening session of the Nato Council's spring ministerial meeting in Madrid.

"Whatever else may have changed in the Soviet Union, the military machine is still, *so far, operating at exactly the* same level as it was in the days before perestroika and glasnost."

The Soviet Union's future in the light of current reforms was uncertain, and other East European countries were moving in an even more unpredictable direction. "In these circumstances, it becomes even more important that the Alliance should continne to behave in a predictable and reliable way."

The former British Foreign Secretary, who is about to give np his Nato job after four years, said the recently signed INF treaty, eliminating land based medium-range nnclear missiles, from Europe was achieved by negotiating from a position of strength and by maintaining a firm and united Nato line. It would be just as important to apply this lesson in future.

In assessing Eastern European developments during yesterday's closed-door discussions, foreign ministers and delegates from the 16 Nato conntries are understood to have pnt the period needed for judging the results of perestroika at between 10 and 20 years.

There was clear agreement between ministers on the need to treat Eastern European countries individually and not as a bloc.

Sir Geoffrey Howe, UK Foreign Secretary, warned his colleagues about the risk of political destabilisation sparked by the reform process. According to British officials, he said that one of the challenges for the West was bow to encourage change in Eastern Europe without precipitating chaos, and that Nato should not lay itself open to charges of pro-

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BOLIVIA'S DETERMINED WAR ON INFLATION AND DRUGS

President Victor Paz Estenssoro's New Economic Policy rests on unprecedented period of political stability, Page 26

Moscow official attacks transfer of F16s to Italy

BY JOHN WYLES IN ROME

A SENIOR Soviet official visiting Rome yesterday called the Italian decision to play host to 79 US F16 fighter bombers "illogical and contradictory."

The criticism, though predictable in itself, brings Moscow into an unusual alliance with a section of the Roman Catholic church following public statements of opposition to the deployment of the F16s in Italy by some bishops meeting at a Eucharistic Conference in Reggio Calabria.

Both interventions are heating up the internal political debate in which the Communists and parties to its left are lined up against the five-party Government.

As the man who, as Prime Minister, renegotiated the Concordat between the Italian state and the Catholic Church in 1984, Mr Bettino Craxi yesterday put a strict construction on its terms. "There is no clause in the Concordat requiring the bishops' authorisation for the movement on Italian territory of troops or military equipment," the Socialist leader observed drily.

Since the F16s were in aid of security and peace, the Government should react to this "inadmissible interference" into affairs of state, he added.

Perhaps encouraged by the bishops and by signs of a reviving Italian peace movement, Mr Nikolai Afanasievsky, director of the European office of the Soviet Foreign Ministry, said that moving the F16s from their existing base in Spain to Italy would tilt the balance of forces in Europe's southern flank even more strongly against the East bloc.

Such a move to add to Nato's existing superiority in attacking aircraft was, in any case, pointless, added Mr Afanasievsky. Within the year, give or take a month, it was clear that negotiations would begin on reducing conventional weapons. "So the destruction of these aircraft is already decided, they are condemned to death and nothing can hold East and West back from the move towards a reduction in conventional weapons in Europe."

Mr Afanasievsky was sent to Rome by Mr Mikhail Gorbachev to give Moscow's report on the latest summit. Though he said his remarks should not be seen as interfering in Italian politics, they are bound to be interpreted as such, since he offered at least one argument – Nato's existing superiority – of which the opposition had not yet seemed to be aware.

Court rules on Marcinkus

BY ALAN FRIEDMAN IN MILAN

ITALY'S highest constitutional court has declared null and void the arrest warrant issued against Archbishop Paul Marcinkus, the 65-year-old Chicago-born chairman of the Vatican Bank who was charged with fraud in the 1982 crash of Banco Ambrosiano.

The Rome court made its ruling without even going into the "merits" of the investigation which led Milan magistrates to charge Mgr Marcinkus and two other Vatican bank executives – Mr Luigi Mennini and Mr Pellegrino de Strobel – with criminal fraud.

It was responding to an appeal lodged by the Milan magistrates last year after the Court of Cassation threw out the arrest warrants against the Vatican officials, citing the 1929 Lateran Pacts stipulating that the Italian state does not have the right to interfere with any central organs of the Catholic Church.

Poland may ease curbs on forming associations

By Christopher Bobinski in Warsaw

RESTRICTIONS on the legal formation of new clubs and associations in Poland could well be eased in the wake of a two-day meeting of the central committee of the Communist party which opens on Monday.

The meeting will be the first since a flurry of strikes at the beginning of May, and it will seek to rekindle the hopes of democratic change that were engendered by the central committee last autumn.

The task will not be easy, because, since then, the authorities have shown little sign of readiness to concede more than a minimal amount of institutional democracy.

For example, the rules that have been set for local elections on June 19 fall far short of reformists' expectations, leaving the ultimate choice of candidates firmly in the hands of officialdom.

Dozens of fledgling groups, ranging from political debating clubs to one-issue associations like the campaign against the death penalty, have failed to win legal recognition.

However, the Government, striving for credibility, has held talks with the Roman Catholic church and offered a significant measure of freedom to church-linked groups of students and workers. The church has responded by urging a general easing of restrictions on the right of association.

The authorities are now promising that groups like the Warsaw-based Economic Society, which seeks to promote the values of a free market economy, and the Polish PEN club, whose activities were suspended during martial law, will be able to function legally.

However, the leadership remains opposed to the idea of allowing Solidarity any right to organise.

Andriana Ierodiaconou reports on a rare visit by the Turkish prime minister to Greece

Athen braces itself for a meeting of allies

IT IS difficult to keep in mind that when Mr Turgut Ozal, the Turkish Prime Minister, comes to Athens on Monday, it will be a visit by the leader of one member of the North Atlantic Treaty Organisation to the capital of another.

The political frissons generated by the approaching visit suggest much more that this is a rare contact between two traditional enemies. That, of course, is what Greece and Turkey have considered each other to be for generations, despite having been members of the same alliance for almost 40 years.

Tellingly, the last visit to Athens by a Turkish premier took place in 1952, the year Greece and Turkey were formally admitted to Nato. This event failed to change what had become an established pattern in bilateral relations: recurring cycles of tension, followed by a brief period of detente, followed by renewed, higher levels of tension.

So far, Mr Ozal's visit appears to fit into just another such cycle in which, after having come close to war over an oil exploration dispute in the Aegean in March 1987, Greece and Turkey subsequently agreed in a meeting of their two prime ministers in Davos last January to refrain from using force in resolving their differences.

The key question is whether this time the fruitless round can be broken with a solution to the key problems.

Distilled down, these are: for Turkey, the blocking by Greece of the development of its relations with the European Community. For Greece, Turkey's continued military occupation of 37 per cent of Cyprus, which Ankara invaded in 1974 in the wake of a short-lived Greek military coup against the government of the island republic.

The core problems are surrounded by a web of spin-off disputes on the sharing of sea and airspace rights in the Aegean, of which Greece only recognises the delimitation of the continental shelf as a legitimate issue.

So far, the Davos process has brought the two countries no closer to agreement on any of the above issues. It has apparently left fundamentally untouched both Greece's policy of predicating the lifting of its objections to closer Turkey-EC ties on the termination of Turkey's military presence on Cyprus, and Turkey's insistence on the necessity of that presence.

Indeed Athens' position now is that the ultimate success of the Davos process itself depends upon a Cyprus settlement involving complete Turkish troop withdrawal. Cyprus, the Greek side has declared, will be the central item on the open agenda of Mr Ozal's talks in Athens with his Greek counterpart Dr Andreas Papandreou.

Speculation has consequently run rife in the weeks leading up to Mr Ozal's arrival, regarding the possible unveiling in Athens of a goodwill gesture in the form of a partial withdrawal of Turkey's troops from Cyprus.

Turgut Ozal: Cyprus top of the agenda

However both Ankara and Athens in various ways have warned against expectations of a dramatic breakthrough on Cyprus or any other issue so soon. The Turkish foreign ministry has linked the issue of troop withdrawal from Cyprus to the progress of forthcoming United Nations-sponsored talks between the island's Greek and Turkish communities.

Mr Ozal himself, while agreeing to discuss Cyprus in Athens, has repeatedly stressed along with Dr Papandreou that the Davos process will be a long one in which in the first instance both sides will continue to abide by their established positions on contentious issues.

The Turkish Prime Minister gave this view a further twist by stating in an interview just one week before his Athens visit that problems are better solved by governments at the start rather than at the end of their term: a less than kind reference to the fact that the Greek socialists face general elections within the year.

It was a sign of the times that the Greek side did not immediately take umbrage and call off the visit, choosing instead to say that Dr Papandreou will ask Mr Ozal to clarify his remarks when the two leaders meet.

Distrust of the Davos process and of Dr Papandreou's handling of it has increased over the past four months among both Greeks and Greek Cypriots, catalysed by a series of hawkish Turkish official statements on Cyprus and persistent Turkish military jet forays into Greece's 10 mile airspace over the Aegean, which Ankara only recognises up to six miles.

The Greek side attempted to remedy the latter situation at foreign minister-level talks at the end of May, with a memorandum of understanding in which the parties declared their respect for each other's national sovereignty and territorial integrity.

The memorandum's usefulness to Greece was limited, however, by its ambiguity regarding the extent of sovereignty, as well as by a reference secured by Turkey to both parties' right to use the high seas and international airspace in the Aegean. Dr Papandreou could go a long way towards fending off his critics by securing from Mr Ozal a more clear cut commitment to respect the existing status quo in the Aegean.

Lacking something of the sort, and lacking a Turkish gesture on Cyprus, if not next week then at least in the near future, the Ozal visit will leave the Greek Prime Minister more than ever exposed to the charge that the Davos process has conferred legitimacy on Turkey while securing no advantages at all for Greece.

It could also mark the beginning of the end of yet another fruitless cycle in the relations of two Nato allies who, try as they might, cannot become friends.

Turkish Communist trial criticised by visiting lawyers

BY JIM BODGENER IN ANKARA

STRONG CRITICISM of the conduct of a trial of two Communist leaders in Turkey has come from a group of foreign lawyers observing the proceedings.

The trial of Mr Haydar Kutlu and Mr Nihat Sargin in a small Ankara state security court was adjourned on Wednesday until June 17.

Mr Kutlu and Mr Sargin were arrested when they returned last November, prior to the general elections at the end of that month, to merge their parties, the Turkish Communist Party and the Turkish Workers' Party.

Altogether, 21 defendants have been indicted. The trial is the strongest challenge yet to 63-year-old legislation proscribing communism in the Turkish Republic.

A public declaration by the lawyers yesterday called for the release of Mr Kutlu and Mr Sargin and all other political prisoners indicted under the anti-communist articles 141 and 142 of the Turkish penal code.

It also went on to call for the abrogation of the code, the ending of the trial and all others in state security courts and military courts and the courts' abolition, an end to torture and investigation into allegations of its incidence, and the abolition of capital punishment.

The declaration noted the lawyers' deep concern that the whole process did not comply with the European Convention of Human Rights - to which Turkey became a signatory early this year - and standards of legal procedure throughout Europe.

It also complained about the tardiness and lack of facilities at the public trial, the military presence in the panel of judges, and the trial's postponement only one day into the three-day reading of the indictment.

The participating lawyers came from the UK, France, Canada, West and East Germany, the Netherlands, Belgium, Switzerland, Sweden, Denmark and Greece.

OECD ECONOMIC OUTLOOK

UK growth forecast to slow

BRITAIN is expected to grow more rapidly than the OECD countries as a whole in 1988 and its current account deficit on the balance of payments is forecast to deteriorate this year and next, the organisation forecasts in its latest review of the UK economy.

After growing by 4½ per cent in 1987, the UK is expected to grow by 3½ per cent this year. By the second half of 1988, however, the UK is forecast to show signs of deceleration and is expected to grow in 1989 at 2½ per cent, in line with the whole OECD group.

The OECD, however, finds itself in the position of many other forecasters dealing with the UK in that its views are circumscribed by the "imponderable impact" of the stock market fall of last October and by the "ambiguity" of some recent economic indicators.

"Stronger domestic demand and higher inflation than projected cannot be excluded in the period ahead", it cautions.

Over the forecast period, the organisation's central forecast is for the economy to slow and for inflation to remain moderate. Consumer prices are forecast to rise at an annual rate of 3¼ per cent this year and next.

The unemployment rate should fall to 9½ per cent this year, but rise to 9¾ per cent next year because of slower economic growth. The OECD believes most of Britain's "discouraged" workers, who left the labour force during the recession of the early 1980s, have returned to work.

In its UK forecast, the OECD describes an economy where domestic demand remains strong, relative to output. Consumers' expenditure is expected to remain buoyant this year but is forecast to moderate in 1989. The ratio of savings to personal disposable income is forecast to rise from 4¾ this year to 5 per cent in 1988.

The combination of a strong exchange rate, a lower value for oil and domestic demand tending to outstrip supply has led the OECD to double its forecast for the UK current account deficit in 1988 – from \$5.75bn to \$10.5bn – and to raise its forecast for the deficit in 1989 by more than 50 per cent (from \$9.5bn to \$14bn), compared with its forecasts in December.

The forecast for 1988, however, is broadly in line with the Government's projections for the current account. The OECD is not as pessimistic as some independent UK forecasters, who foresee a much greater deterioration in the balance of payments this year and next.

Trade imbalances narrow but pace of change needs to quicken

THE MAIN trade imbalances of the US, Japan and West Germany are being corrected but if the pace of adjustment does not quicken then financial markets might enforce their own unpalatable solution, the OECD says in it mid-year assessment of the major economies.

The OECD economies grew by 3 per cent last year and the organisation expects output to expand by 2.5-3 per cent this year and next.

The US, Japanese and West German trade imbalances have been narrowing substantially in volume terms and this is beginning to show up in dollar terms as well. It expects this process to continue.

But while policy is moving in the right direction and the OECD group is capable of achieving higher output and employment the organisation warns against complacency.

The persistence of the imbalances raises the question whether the private sector will be willing to finance the US current account deficit at "something like the present exchange rates" and without "excessive" upward pressure on US interest rates.

REPORTS PREPARED BY SIMON HOLBERTON

Without further policy actions, the OECD says, exchange markets might enforce their own solution, entailing another sharp depreciation of the dollar.

The consequences of this would be threefold. The US would benefit, but at the cost of higher inflation. US interest rates would be forced up to defend the dollar and regain control of inflation: this would trigger a recession.

The effect of the depreciated dollar on the rest of the world, and OECD Europe in particular, would be to force up their exchange rates and provoke a significant slowing in growth, or even a recession.

Weakened OECD activity and higher dollar interest rates would each intensify the problems facing developing country debt and erode those countries prospects for growth.

The organisation's central forecast, however, is cautiously optimistic. Last October's stock market crash appears to have had no lasting effect on business confidence; financial markets have been relatively calm since it last reported in December.

For the developing countries, the firming of commodity prices and the growth in world trade have eased their economic difficulties. Debt remains a problem to these countries, but the report notes that developing country debt ratios fell for the first time since the debt crisis erupted in 1982.

A relatively "soft landing" is foreseen for the OECD economies this year. Growth will slow and so, too, will the rate of decrease in unemployment. Inflation, however, is not expected to rise and should remain relatively stable this year and next.

Although the report forecasts an improvement in the shape of US growth – domestic demand will moderate and net exports will make a large contribution to growth – and believes that Japan will continue its domestic demand-led expansion in the year ahead, a mixed performance is likely in Europe.

For many European countries the outlook is for sluggish growth in output, investment and employment. Growth in Europe could average around 2 per cent at an annual rate from now until the end of 1989.

"On an individual basis, these countries are constrained by increasing ratios of public debt to GNP, some by external balance and exchange rate considerations, and a few still by inflation risks," says the report. "And continued satisfactory performance in those countries where activity is currently buoyant will depend heavily on strong foreign markets to maintain sustainable trade positions, as well as keeping domestic inflation under control."

Growth prospects depend on an expansion in trade but Europe's overall real trade balance will decline over the coming years for the first time since the early 1980s due to the improvement in the US external position.

The OECD views expansion of trade within Europe as limited. It instances these problems with reference to West Germany, France, the UK and Italy.

West Germany is constrained by the prospect of a widening budget deficit and the dependency on exports for growth an investment; France needs to maintain high interest rates to forestall capital outflows; the UK faces the prospect of either a widening current account deficit or higher inflation; and Italy's public debt to GDP ratio is likely to be above 100 per cent by the early 1990s.

The medium-term future for growth in Europe depends, therefore, on further reforms to remove obstacles to trade, a continuation of taxation reform, lower government spending on subsidies to agriculture and industry and the bringing forward of "economically sound infrastructure investments" to expand the economic potential of the region.

CURRENT BALANCES OF MAJOR OECD COUNTRIES
$bn, seasonally adjusted, at annual rates

	1985	1986	1987	1988	1989
US	-118.4	-141.3	-160.7	-150	-132
Japan	49.2	85.8	87.0	85	80
West Germany	16.2	37.9	44.3	47	42
France	-0.4	2.9	-4.5	-5	-6
UK	4.2	0.1	-2.7	-10	-14
Italy	-3.6	2.8	-0.7	-1	-1
Canada	-0.9	-6.7	-7.2	-9	-12
Total above	-51.7	-18.4	-44.6	-44	-43
Other OECD countries	-2.5	-3.8	-8.8	-15	-21
Total OECD	-54.1	-22.3	-53.5	-58	-64
Four major European Countries	16.4	43.7	36.3	30	21
OECD Europe	24.0	51.0	37.5	24	9
EEC	18.9	49.9	39.0	30	16
Total OECD less US	62.3	119.1	107.2	92	68

Source: OECD Economic Outlook, June 1988

Unemployment may rise again in Europe

UNEMPLOYMENT should continue to fall in the US and Canada but in Europe it may be on the rise once again, the OECD says.

The main reason for the rise in unemployment outside North America in the 18 months ahead is "a weakening, or stagnation" in the rate of growth of employment as European growth slows.

Another factor is that special labour market measures may be less effective in containing unemployment in some countries.

The organisation also says that the decline in population growth in the 1960s and 1970s is not expected to improve the outlook for the unemployed in the coming years.

Although making forecasts in this area is particularly uncertain, it expects declining population growth in Europe to be offset by a rise in the participation rate, in the absence of higher growth, or a slower rate of growth in real wages which might lead to a substitution of labour for capital.

At the beginning of this year unemployment in the OECD area fell below 29m, equal to 7.6 per cent of the labour force. By the end of 1989, unemployment could have risen to 29.5m – most of this rise being accounted for outside North America.

The OECD says that almost all of the fall in unemployment in Europe since 1985 – 500,000 – has been accounted for by the steadily-improving labour market situation in Britain, but casts doubt over the achievement.

"The reduction in European unemployment has been concentrated almost entirely among those under 25 years: in the four major countries, the average unemployment rate fell from 20.4 per cent in 1986 to 19.4 per cent in 1987. The improvement reflects a declining youth population and special measures directed towards this age-group."

The OECD also considers the effects of different forms of collective bargaining – centralised, intermediate and decentralised – on unemployment and inflation. It finds that there appears to be no simple relationship between bargaining structures and macroeconomic performance in the 17 countries surveyed.

Centralised bargaining structures, such as in Nordic countries, produce lower average unemployment rates in periods of both rising and falling inflation.

"But there is no clear ordering with respect to inflation, and the relative unemployment experience of the intermediate and decentralised structures reversed from the 1970s to the 1980s."

It also noted that centralised wage determination systems have developed out of "rather special historical circumstances" which means that the system may not be easy to transplant to other countries.

UNEMPLOYMENT IN THE OECD

	1985	1986	1987	1988	1989
Unemployment rates (%)					
US	7.1	7.0	6.2	5.5	5.5
Japan	2.6	2.8	2.8	2.5	2.75
West Germany	8.3	8.0	7.9	8	8
France	10.2	10.5	10.6	10.75	11.25
UK	11.7	11.8	10.4	9.5	9.75
Italy	9.6	10.3	11.0	11.5	12
Canada	10.5	9.6	8.9	7.5	6.75
Total above	7.4	7.4	7.0	6.5	6.5
Other OECD countries	12.1	11.6	11.4	11.25	11.5
Total OECD	8.4	8.3	7.9	7.5	7.5
Four Major European countries	9.9	10.1	9.9	9.75	10.25
OECD Europe	11.0	10.9	10.7	10.75	11
EEC	11.3	11.3	11.0	10.75	11
Total OECD less the US	8.9	8.8	8.7	8.5	8.5
Unemployment levels (m)					
North America	9.6	9.6	8.8	7.75	7.6
OECD Europe	19.2	19.2	18.9	19	19.5
Total OECD	31.0	31.0	30.0	29	29.5

Source: OECD Economic Outlook, June 1988

Worries remain over size of US current account deficit

CORRECTION of the huge trade imbalances of the US, Japan and West Germany is well under way but the pace of adjustment is set to slow and worries persist over the size of the US current account deficit, the OECD says.

The organisation says that the extent of the adjustment so far has been large both in volume terms and when expressed as a share of the three countries' gross domestic product.

It warns, however, that the US current account deficit will still remain large by the end of 1989 and that financial markets are likely to be concerned about the increasing difficulty of adjustment caused by the accumulation of external debt by the US.

It highlights the difficulties the US had last year in financing its current account deficit. Holdings of dollar assets by central banks increased by \$130bn last year as private investors either liquidated US assets or refused to buy them.

The organisation forecasts that the US current account deficit will fall from \$160.7bn in 1987 to \$132bn by 1989. Japan's surplus will fall from \$87bn to \$80bn and Germany's from \$44.3bn to \$42bn.

OECD countries in Europe with strong rates of domestic demand will bear the brunt of the US trade improvement by seeing their current account deficit rise.

The main source of the improvement in the US position is the projected improvement in its exports of manufactured goods. These are expected to rise 70 per cent, in volume terms, from 1986 to 1989 and this substantial adjustment should be almost half completed by the middle of this year.

Large though this growth in manufactures may be, the deficit in US manufacturing trade will, by 1989, be half of its peak level in constant price terms. In current prices, the deficit in manufacturing trade will have fallen by \$30bn but still record a shortfall of more than \$90bn.

World trade expanded at an annual rate of 11 per cent in the second half of last year and the organisation expects it to grow by 6 per cent this year and next. Almost half of the increase in the volume of OECD exports should, however, accrue to the US while nearly every other OECD country should lose market share.

"Within Europe, the current account of nearly every country is projected to weaken between 1987 and 1989. . .and. . .it is noteworthy that many European countries already in deficit are likely to incur weakening current accounts over the projection period."

The most significant deteriorations as a proportion of GDP are projected for the UK, Spain, Greece, Norway, Sweden, Portugal and Finland.

The current accounts of these countries will not deteriorate because of poor export performance but because their economies will be growing faster relative to that of their European competitors.

Warning sounded on reform of agriculture and financial markets

AN OECD review of member governments' attempts to liberalise their economies finds that considerable progress has been made in eliminating rigidities in markets, but that much more needs to be done.

The organisation says there has been increasing recognition among member governments that structural reforms are essential to the sustain improvement in economic performance.

In some cases, the benefits of the reforms have exceeded expectations. They have opened previously unexplored opportunities and companies have been able to pursue them in a competitive environment, the OECD says.

In two key areas – financial market deregulation and the reform of agriculture – the entity points to dangers for the world economy if governments fail to attend to volatility in financial markets and fail to grapple with issues of agricultural reform.

The organisation is generally favourable in its assessment of financial market reforms and the liberalisation of capital markets. These have resulted in cheaper prices, greater choice and better service to consumers.

The reforms have also led governments to recognise that measures used to control their financial sectors, such as direct credit controls, had created distortions and that the use of open market operations was preferable.

The liberalisation of capital, however, has meant that capital flows respond not only to fundamental economic developments but also to "distortions arising from tax systems, rigidities in other sectors and macroeconomic policies".

The OECD says governments should act to reduce these distortions and rigidities further, and that, in a global system, "international co-ordination of prudential supervision is essential."

On agriculture, it says the failure of member governments to take bold reforming action constitutes a "major shortcoming" in their programmes of structural adjustment.

"The current policies of most OECD countries continue to impose substantial cost on national economies through resource misallocation, high prices to consumers and large budgetary expenditures, while remaining a principal area of friction in international trade."

Even so, the OECD is positive on member governments' decisions to reform their taxation systems. Throughout the OECD area, personal tax rates have fallen from about 60-80 per cent to about 50 per cent.

Although quantitative effects of economic performance were difficult to disentangle from other influences, beneficial effects were discernable. Revenue targets had been met, often exceeding expectations, and lower marginal tax rates, combined with better tax administration, had reduced tax avoidance and evasion.

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Kohl hails new era in East-West relations

BY DAVID MARSH IN BONN

MR HELMUT KOHL, the West German Chancellor, yesterday hailed the start of a new era of greater "continuity and predictability" between East and West following last week's superpower summit in Moscow.

He told a news conference that medium-range US nuclear missiles based in West Germany would start to be withdrawn in less than four months time. This was a result of the exchange of ratification documents at the summit on the US-Soviet arms control treaty.

Mr Kohl voiced satisfaction at yesterday's signing of a draft agreement on establishing relations between the European Community and Comecon. He was especially glad that the breakthrough had occurred during Bonn's six-months' period of EC presidency.

Howevar, tha Chancellor underlined again the need for stability in conventional weapons in Europe. He called for talks on lowering the "enormous" conventional superiority of the Warsaw Pact to start this year.

West Germany's policy of building up links with East Europe had been a success, he said. His emphasis yesterday, when he held out a renewed offer to the Communist east on further co-operation, was somewhat ironic in view of the opposition of his Christian Democratic party to the policy of building bridges with the east started by the Social Democratic-led Government at the start of the 1970s.

Mr Kohl said further projects covered by treaty agreements with Warsaw Pact countries were being negotiated. He expected fresh results this year especially in cooperation over environmental protection.

The Chancellor, who goes to Moscow on an official visit in October, said relations with the Soviet Union had "central importance. My visit to Moscow has the goal of driving forward in all areas as many concrete co-operation projects as possible," he said.

Turning to domestic policy the Chancellor said he aimed to clear up all outstanding questions of economic and social policy currently being discussed by the coalition by the start of the parliamentary holidays on July 8.

A key cabinet meeting is to be held on June 29, at which the Government intends to settle details of next year's budget. This will include the tricky question of raising some consumer taxes – principally on petrol – by at least DM5bn (£1.6bn) next year to help bring down the federal buget deficit.

The Government may have to levy additional taxes in 1989 to boost revenues which will be depleted by a compromise agreement shaping up to offset social security payments currently disbursed by the federal states.

● Ahead of this month's economic summit in Toronto, Mr Kohl confirmed that debt relief measures for hard-up Third World countries would be high on the agenda. He also gave as broad West German goals at the summit efforts to cut the US budget deficit and to persuade Japan further to open its markets.

Kohl: greater continuity

Lack of response to steel closures plea spells end of quotas

BY WILLIAM DAWKINS IN BRUSSELS

THE END of European Community steel output controls moved a step closer yesterday as the Brussels Commission revealed that governments had largely failed to respond to its plea for voluntary plant closures.

Speaking on the eve of a Commission deadline for offers of capacity cuts, an EC official said member states and steelmakers had failed to produce a single closure commitment for the 10m tonnes of overcapacity in hot rolled coils, the largest component of the EC's 30m tonne surplus in steelmaking potential.

Brussels had received promises to close "very little" of the 5.9m tonnes heavy plate making overcapacity and "a little more" for the 3.7m tonnes surplus capacity in heavy beams, he said.

He confirmed that offers for both products were insufficient to justify continuing to extend the protection of quotas. The Commission was offering to consider prolonging quotas for three years from the end of June, when they formally expire, if it obtained guarantees to shut three-quarters of the surplus capacity in each product in the system.

Yesterday's confirmation of steelmakers' lack of response to the Brussels closure call makes it almost inevitable that the quota system, which governs around half of EC steel output, will end.

Eurofer, the club of big integrated steelmakers, has lobbied forcefully to keep the eight-year-old system in place because of the support it provides for prices. They fear a hasty end to quotas will provoke a price and subsidy war.

But that argument has looked increasingly weak over the past nine months as the world steel industry has benefited from a surprise upturn in demand.

Eurofer's members are now understood to accept grudgingly that the system will end and are instead pressing for a transitional period of informal production guidance from Brussels.

European Commissiooers are to decide their response to the lack of closure offers at a meeting in Strasbourg next Wednesday, where Mr Karl-Heinz Narjes, the Industry Commissioner, is expected to urge his colleagues to allow quotas to lapse. The final decision on ending quotas and what kind of market regulation – if any – should succeed them is due to be taken by EC Industry Ministers on June 24.

● The Italian government has sought to brush off the European Commission's suspicions that it has been subsidising the public steel company, Finsider, in breach of Community competition regulations, John Wyles adds from Rome.

Complaining that the Commission's threat of legal proceedings over bank loans to Finsider was "an argument over the past", Mr Carlo Fracanzani, the Italian Minister for State Participation, calls in a letter to the Commission for a global agreement on the future of the Italian steel industry which would remove the threat of legal action.

In a report from Brussels yesterday, Agi, the Italian news agency, says that Mr Fracanzani accuses the Commission of discriminating against the Italian credit system by arguing that loans to Finsider carried an implicit state guarantee because they were made by publicly owned banks.

The Government is due to adopt finally a steel industry restructuring plan next Tuesday which will be speeded to Brussels in advance of a meeting of Community industry ministers on June 24.

Environmental fears surface in Bulgaria

A WAVE of criticism from Bulgaria's normally quiescent intellectuals, mainly over the environment, has prompted two reactions from the Communist authorities: they have put pressure on their critics to stop complaining publicly, and set up a ministry to address the ecological grievances.

But intellectuals remain sceptical about official policy on the environment, and their doubts on this issue appear to be symptomatic of a deeper sense of uncertainty about the party leadership's commitment to economic and political reform.

Judy Dempsey reports from Sofia on an intellectuals' protest movement which has shaken the authorities

The new ministry, which is yet to be formally established, is in response to mounting public discontent with the environment in Ruse, Bulgaria's second largest city, which is located on the Danube in the north of the country.

Over the past two years, the population of Ruse has been subjected, not only to pollution from Bulgarian enterprises, but frequent clouds of chemical dust and fumes blown across the border from the town of Giurgiu in Romania.

The chemical enterprise at Giurgiu, which is under the responsibility of Mrs Elena Ceausescu, the wife of President Nicolae Ceausescu, manufactures several types of chemical and industrial products.

The large emissions of chloride which have been spreading across from Giurgiu to Ruse have produced growing discontent among the population of Ruse. Earlier this year, hundreds of the city's inhabitants temporarily left after a cloud of chloride fumes wafted over the former Hapsburg trading centre.

In an effort to to deal with the problem, and maintain good relations with Romania, the Bulgarian authorities have been holding several meetings with their Romanian counterparts and a special joint commission was recently set up.

However, many prominent Bulgarian intellectuals, dissatisfied both with the official Bulgarian policy towards the environment as well as the slow progress of the bilateral talks, in an unusual step, earlier this year, formed an unofficial committee to highlight their concern about the pollution in Ruse and other related issues.

The 200-strong committee which was set up in Sofia included Mr Svetlin Rusev, considered to be the country's greatest artist, and Mrs Sonya Bakish-Todorova, wife of Mr Stanko Todor, the president of the National Assembly (Parliament) and a member of the politburo.

Several other informal groups were set up in Ruse, Veliko Turnovo, the former capital of Bulgaria (1187-1396) and Gabrovo.

The authorities, shaken by the spontaneous movement which is highly unusual in a country where intellectuals rarely step outside, let alone challenge official party policy, quickly silenced the committees.

With the winds of *glasnost* blowing freely into Bulgaria through the wide availability of Soviet television and newspapers, the Bulgarian Communist Party, under the helm of 77-year-old Mr Todor Zhivkov, Eastern Europe's longest-serving leader, is showing increasing reluctance to push through substantial political and economic reforms.

Signs of this reluctance emerged in a major policy speech by Mr Zhivkov in April when he said that "a number of problems which the public is concerned about in certain socialist countries have been solved in Bulgaria since 1956."

Mr Zhivkov was referring to the 1956 "April thesis" which was aimed at setting the party on a new course of liberalisation which proved rather short-lived.

His speech was interpreted by some Bulgarian intellectuals as very conservative and showing little enthusiasm for any discussion which moved outside official party channels.

The policy towards the intellectuals themselves will be debated at an important central committee plenum.

The plenum, which has already been twice postponed, is now due to take place in early or mid July. It will deal comprehensively with culture, the press and the sciences. It could also include some personnel changes both in the central committee secretariat and the politburo.

Russian priests to resume work in parishes

BY QUENTIN PEEL ON MOSCOW

LEADERS OF the Russian Orthodox church, meeting in a high-level council for the first time in 17 years, have approved a new charter which will allow priests once again to play a role in parish affairs.

The decision, taken while the church is in the throes of major celebrations to mark its millennium, effectively removes a self-imposed restriction which prevented priests doing more than conducting church services.

It is the first move by what is an extremely cautious and conservative hierarchy to take advantage of the willingness of the Soviet regime to see a less restricted role for the Orthodox church. The change in the charter was approved by acclamation, although one unidentified comment from the floor of the council said it did not go far enough.

In effect it means that the church is now in a position to take advantage of a promised new law on freedom of conscience, currently being prepared by the authorities. The law is expected to allow the church more freedom to undertake educational and charitable work, from which it has been effectively barred by legislation passed in 1929.

The four-day Local Council also heard for the first time a major Orthodox church leader, Metropolitan Filaret of Kiev, speak out about the suffering of the church during the "cult of personality" – the Stalin era – and more daringly still mention the conflict between church and state before Stalin.

The Metropolitan, one of the candidates to succeed the ageing Patriarch Pimen, appeared to be responding to criticism from dissident church members that the leadership has been afraid to speak out on such issues, while they are being openly debated by all other sectors of Soviet society.

Homeland for Tatars - if there is room

BY QUENTIN PEEL

SPECIAL restrictions preventing tens of thousands of Crimean Tatars from returning to their homeland in the Crimea, from which they were deported by Stalin 44 years ago, have now been lifted, a Government commission announced yesterday.

However, it rejected calls to create an autonomous Crimean republic, and made it clear that economic development and ordinary residence restrictions would still limit the Tatars' return, the subject of repeated demonstrations in recent months.

A communique issued by the commission, headed by President Andrei Gromyko, said some 2,500 Crimean Tatars had already been granted residence permits and provided with jobs. Action was being taken to improve employment opportunities, with the establishment of new state farms and other organisations.

The commission implied that the exiles - deported by Stalin on suspicion of collaborating with German forces during the Second World War - might still have difficulty in gaining residence permits, because the population of the Crimea had trebled from 780,000 to 2.5m during the post-war period.

The population was now overwhelmingly either Ukrainian or Russian, and the area, like other "health resorts," was subject to special procedures on residence permits, it said.

It criticised Tatar activists for their demonstrations, saying that "individual groups of Crimean Tatars were out to hamper the implementation of positive measures by insisting that the issue of creating a Crimean autonomy be resolved in the first place.

"Taking all these circumstances into account, the commission has reached the conclusion that there are no grounds for establishing a Crimean autonomy."

Sweden calls off West German submarines visit

By Sara Webb in Stockholm

THE Swedish Defence Ministry has asked West Germany to cancel visits of its submarines to Swedish waters for fear that they could become entangled in a search for submarines of unknown nationality thought to be lurking off the Swedish coast.

Depth charges, anti-submarine grenades and mines have been dropped in waters around Gothenburg on the west coast and Stockholm and Oxelosund on the east during the past week after signs that foreign submarines were violating Swedish territorial waters.

Violations of Swedish territorial waters are an annual summer event and the military widely suspect that the submarines are from the Soviet Union.

Mr Ingvar Carlsson, the Prime Minister, earlier warned that "blood could flow" if the violations continued, but when his Soviet counterpart, Mr Nikolai Ryzhkov, visited Stockholm he dismissed allegations of Soviet involvement as absurd.

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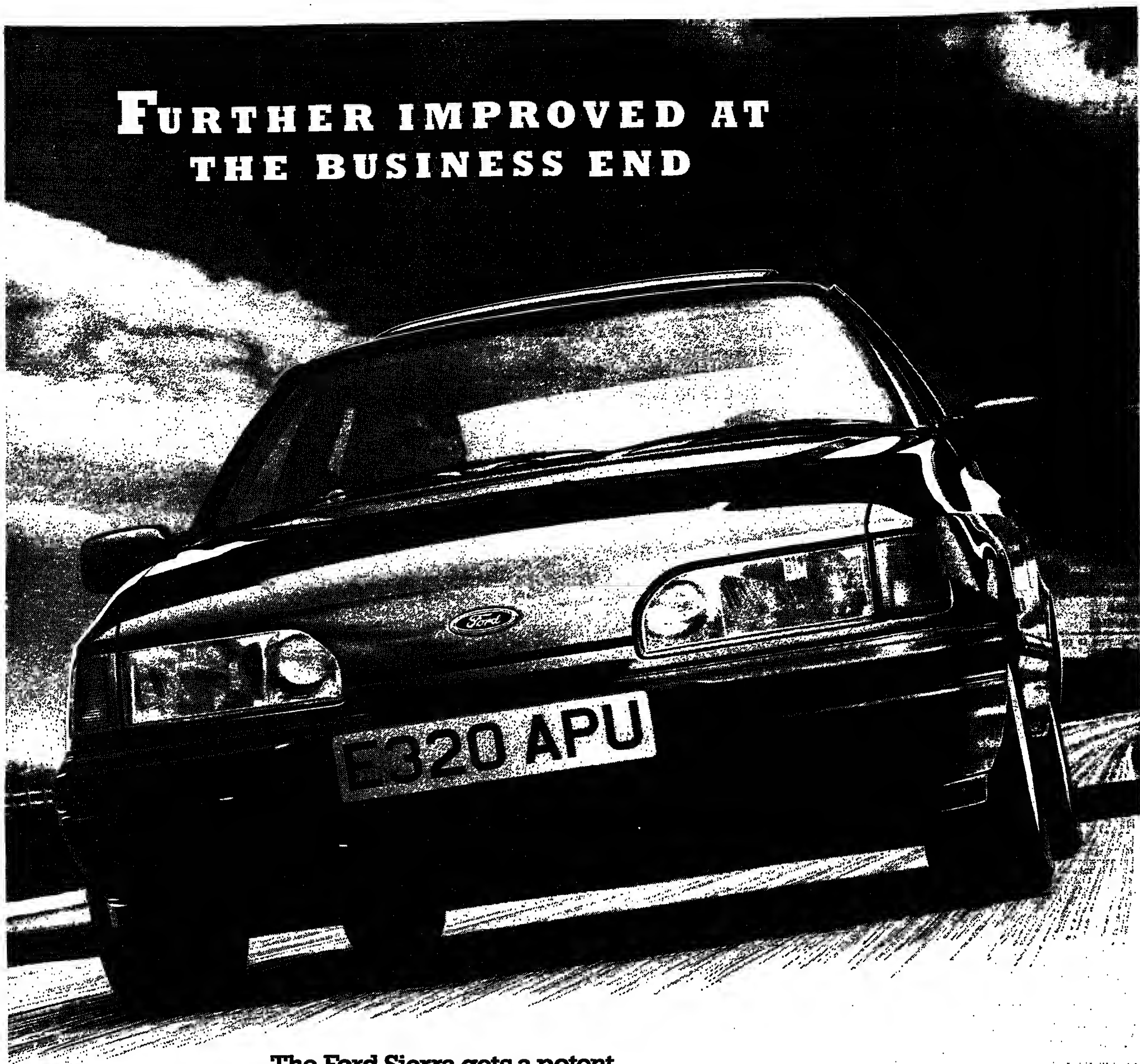

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هكذا عبث الكمل

Ruling threatens Iran-Contra prosecutor's case

BY LIONEL BARBER IN WASHINGTON

THE SPECIAL prosecutor in the Iran-Contra affair has run into difficulties to his case against former White House aide Lieutenant Colonel Oliver North, former National Security Adviser Rear Admiral John Poindexter, and two others. A judge in Washington has ordered separate trials for the four and told the prosecutor, Mr Lawrence Walsh, he must decide by today whether to proceed to trial against Col North or Admiral Poindexter.

The ruling appears to threaten a central part of Mr Walsh's case – alleging a conspiracy by the four men to defraud the US Government and cover up their activities. These are alleged to include selling arms to Iran and diverting the profits to the Nicaraguan rebels, and other unauthorised covert operations.

More positively for Mr Walsh, it looks unlikely that US District Judge Gerhard Gesell will dismiss the 23-count indictment on the grounds there is no case to answer. This raises the possibility of trials stretching into the presidential campaign and more coverage of a scandal which has already hurt the Republican Party candidate, Vice-President George Bush.

Mr Walsh'a problems stem from last summer when the congressional committee investigating the Iran-Contra scandal granted limited immunity from prosecution to several witnesses, including Col North and Admiral Poindexter.

The House-Senate panel argued that a grant of immunity was the only way to persuade witnesses to tell their story to the public, the primary goal of the congressional inquiry. Mr Walsh's warning that limited immunity would jeopardise his case against Col North, Admiral Poindexter, retired Air Force Major General Richard Secord and his business partner, Mr Albert Hakim, has proved well-founded.

In pre-trial hearings to Washington, defence lawyers have successfully argued that their clients should be allowed to use one another's immunised testimony to defend against the charges. To prevent access would deny the defendants a right to a fair trial, Judge Gesell ruled.

Mr Walsh may not use any of the testimony – unless he can prove he secured the material independently. By calling for four separate trials, Judge Gesell has forced Mr Walsh to lay out his entire case in the first instance - unless he can arrange for four trials to be held simultaneously.

Such restrictions may persuade Mr Walsh to drop the ambitious conspiracy charges and rethink his tactics, confining himself for example to obstruction of justice and alleged hribery of government officials.

However, the 76-year-old judge has proved a stubborn opponent during his 18-month investigation, battling successfully among other things for Swiss bank records and testimony from Israeli officials. He may not wish to bend.

Venezuela seeks loans to cover deficit

By Joe Mann in Caracas

THE VENEZUELAN Government is reportedly seeking around $1.3bn to help cover a balance of payments deficit that could reach between $3bn and $4bn this year.

In one operation, the Goverment is trying to obtain a $700m loan from the Bank for International Settlements, using part of its foreign reserves as a guarantee.

In another, it reportedly is asking for $450m from international commercial banks against future sales of non-monetary gold mined from large deposits of the mineral that exists in Venezuela's Guayana region. A possible hitch in this deal, however, is that the banks may ask for some kind of guarantee other than receipts from gold that has not yet been removed from the ground.

The Government began selling gold from the Guayana mines last year and has obtained $126m for six metric tonnes placed internationally. It also has gold worth around $5bn as part of its international reserves. This monetary gold could be used as a guarantee for international loans, or in some type of repurchase agreement (Repo).

City once called the most polluted on earth has slashed toxic emissions

Cubatao: Brazil's ecological success

ONCE described as the most polluted place on the face of the earth, the town of Cubatao is turning into Brazil's first environmental success story, Reuter reports from Cubatao.

For decades, its 24 heavy industrial plants belched 75 noxious pollutants into the air. Asthma, bronchitis and other respiratory ailments were rife, and fish disappeared from the rivers.

But a four-year programme to clean up Cubatao, 60 km south east of São Paulo, is ensuring a healthier existence for its 100,000 inhabitants. With the fish back after 30 years, the town is even planning a fishing festival.

When the São Paulo state government launched the pollution control programme in 1984, experts identified 320 points of toxic emission from the local fertiliser, petrochemical and steel plants. Today 93 such points remain and officials expect to control them by December 1989.

In 1984, toxic emissions led Cetesb, São Paulo's environmental agency, to declare 17 states of alert under which plants were closed until air quality was back to an accepted level.

In 1987 only four alerts were declared.

Mr Paulo Nogueira, a former federal secretary for the environment who in 1984 called Cubatao the most polluted place on earth, now highlights the improvements made.

"There has been startling progress. Brazilian private and state industries and the multinationals are complying with environmental norms," he said.

Under the official programme, all companies doing business in Cubatao must abide by environmental protection laws and install anti-pollution equipment within a rigid time-frame.

"Not a single polluting company set up shop here since the programme began," said Mr Benedito Conceicao Filho, director of Cetesb in Cubatao.

He said that the World Bank, federal and state governments and local companies had spent $300m on the program.

From the business point of view Cubatao is ideally located, 24km from Brazil's biggest port, Santos, and close to its economic capital, São Paulo, with good roads and plenty of water.

In three decades, its factories came to account for 16 per cent of the total ontpnt of Brazilian industry.

But ecologically, the location was a disaster. Cubatao lies at the foot of a 1,000 metre mountain range which prevents the dispersal of industrial fumes. A dark pollution cloud is trapped in the valley.

The traveller coming here from São Paulo takes e scenic road traversing lush green forest and mountains and then encounters gigantic towers billowing fumes.

Though the hillsides are still surprisingly green, they are scarred by the effects of pollution – skeleton trees and naked veins of barren land where plants once thrived.

State prosecutors in São Paulo have taken 24 companies in Cubatao to court, demanding reforestation of the area.

"We want the companies to restore 67,000 hectares of plant life," said Prosecutor Ronald Magri.

If the state wins, the companies would have to pay up to $800m, the highest sum paid in an environmental case in Brazil, probably in Latin America, the prosecutor said.

The companies involved in the suit include the Brazilian subsidiary of Union Carbide and Rhodia SA.

During the 1964-85 military dictatorship the Government made Cubatao an area of "national security" under direct federal control, because of its industrial importance.

Ecologists said Cubatao's special status had made it harder to introdnce environmental controls. The town is home to Petrobras, the national oil company, and a state steelworks, Cosipa.

Near the Cosipa plant are the remnants of Vila Parisi, a shanty-town caught between nine factories. Until recently, 15,000 people lived under the factory chimneys. Many complained of dizziness, headaches, coughing and high blood pressure.

Most have been transferred to a state housing project in a safer area. The few remaining families can be seen packing their belongings or loading trucks. As soon as they leave, a tractor razes their shacks to ensure they never return.

"This is the end of the world, the Valley of Death," said Dr Luiz Ferreira at Vila Parisi's emergency clinic. "It should have gone long ago."

In February 1985, slum-dwellers wera evacnated after one nearby plant leaked high levels of ammonia toto the air.

Officials say that since the four-year programme began, all categories of pollutants are mnch better controlled. In July 1984, 236.6 tonnes of industrial particles were released into the air every day. This has now dropped by 87 per cent, while emissions of sulphur dioxide have fallen by 37 per cent.

Industrialists in Cubatao say their outlook has changed. Mr Mario Cilento, a director of the Carbocloro chemicals company, said: "Before, our main goal was to produce above all. The symbol of our industries was a smoking tower. But times have changed."

Health workers say the situation is still far from perfect. One official said that despite pollntion control respiratory ailments such as tuberculosis remain the leading cause of death for children aged one to four.

Progress in Nicaragua peace talks

By J. D. Gannon in Managua

THE LAST scheduled day of negotiations between the Nicaraguan Government and their Contra opponents began in Managua yesterday with an agreement apparently close hut uncertain.

Progress on a final accord has clearly been made, both sides reported. So much so, in fact, that Sandinista Defence Minister General Humberto Ortega presented the Contra delegation with a complete calendar for an end to the war and the rebels' re-integration into civilian life.

"If an accord is signed today," said Gen Ortega, who is the Sandinista chief negotiator, said, "the last Contra could have laid down his rifle by October 10."

But, he added, "we must have patience".

The Government appeared pessimistic on Wednesday afternoon when hardline Contra director Mr Aristides Sanchez took over as rebel chief negotiator from Mr Alfredo Cesar, the most liberal member of the rebel directorate.

Bnt Mr Hans Jurgen Wischnewski, the West German Social Democratic Party official who advises the Sandinistas as a member of their delegation, said: "We have never been so close" to reaching an agreement, he said.

Mr Wischnewski said the date June 15 was mentioned by the rebels as the starting date for the calendar of events.

US Senate extends Medicare protection

BY STEWART FLEMING IN WASHINGTON

THE US Senate has approved legislation providing for the biggest expansion of the federal health care programme for the aged since it was launched in 1966.

The legislation, already approved by the House, amends the Medicare system to provide for "catastrophic" health care for the elderly. Any of the 32m Medicare beneficiaries will be entitled to free hospital care once they have paid the annual fee of $564 (£312).

In addition a patient will not have to pay more than $1,370 a year for doctor services covered by Medicare provided those services are approved by the federal health system.

Senator Lloyd Bentsen, chairman of the Senate Finance Committee, said: "What we are doing is saying to the elderly that the nightmare you feared so much – if you have catastrophic illness you are going to have your life savings wiped out – is going to be taken care of."

Although the Administration of President Ronald Reagan, bowing to political pressure, has supported passage of a catastrophic health care plan, the scheme is more comprehensive than it envisaged.

Prospective beneficiaries will have to meet higher monthly Medicare premiums, beginning at $3.80 next year. Wealthier retirees will have to pay a tax surcharge.

Meanwhile, the Democrat-controlled House killed legislation, sponsored by the 87-year-old Representative Claude Pepper, which would have provided federal financing for long-term home care for retirees, the disabled and children under 19. The bill could have added as much as $9bn a year to the costs of the Medicare programme.

Rejection of the Home Care Bill, which was supported by the powerful lobbying groups representing older Americans, shows how anxious Democrats are to avoid giving the Republicans evidence to support their contention that the Democrats are taxers and spenders.

The nation's health care system will continue to be a focus of political debate this year. Governor Michael Dukakis of Massachusetts, the likely Democratic presidential nominee, has pushed a universal health care bill for his state which was approved a few weeks ago.

Revised US visible trade figures confuse markets

BY ANTHONY HARRIS IN WASHINGTON

THE FOREIGN exchange markets were thrown into confusion yesterday by the publication of the seasonally-adjusted US merchandise trade figures for the last two-and-a-quarter years.

The adjustment showed a higher deficit for the first three months of this year, and especially for the unexpectedly good March figures, than the previously published figure. The first quarter regularly produces relatively more favourable figures than those for later quarters. This was first read as a downward revision of the figures, and the dollar was marked down, only to recover on a closer reading of the news.

In fact the only news in the announcement was good: the deficits for January and February were both revised downwards by nearly $1bn, mainly because the statisticians seem to have had trouble keeping up with the surging growth of exports.

The February export figures were revised up by 2.5 per cent and the January figures by 2.9 per cent; exports in 1987 were under-reported by only 0.5 per cent, and those for 1986 seem to have been accurate on the day of publication.

The new figures were published in preparation for regular seasonally-adjusted trade figures, starting with the April numbers which will be released next Tuesday. The figures will still be for value only, but the Census Bureau hopes to produce volume numbers as well by 1989.

US Trade Balance

Month	seasonally adjusted	original	revised unadjusted	3 month average
March 88	11.95	9.75	N.A.	12.53
Feb 88	14.41	13.83	12.89	13.18
Jan 88	11.27	12.44	11.53	12.90
Dec 87	13.80	12.20	13.03	14.33
Nov 87	13.62	13.22	13.46	14.37
Oct 87	15.56	17.83	16.89	14.86
Sept 87	13.94	14.08	13.98	14.30
Aug 87	15.08	15.88	15.31	14.67
July 87	13.88	16.47	16.08	14.34

Source: US Dept of Commerce

South African white miners accept 12% rise

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICA'S 25,000 white gold and coal miners have accepted 12 per cent across-the-board wage increases, a settlement which appears to recognise the men's steadily diminishing bargaining power.

The Council of Mining Unions (CMU) entered annual talks with the Chamber of Mines demanding a 20 per cent increase to compensate for several years of wage increases which have regularly been less than the inflation rate. Latest official figures show annual inflation running at 13.3 per cent.

The white miners' bargaining power is likely to be further weakened when the Government promulgates legislation scrapping the legal colour bar which excludes blacks from supervisory line jobs on the mines.

Acceptance of a sub-inflationary increase by white miners is unlikely to influence the all-black National Union of Mineworkers (NUM) which was involved late yesterday in a third round of wage talks.

Negotiations last week ended with the NUM calling for a 30 per cent across-the-board increase, a minimum monthly wage of Rand 350 (£87) and various other improvements to conditions of employment.

The Chamber's last offer was for increases ranging from 11.5 per cent to 13 per cent. NUM union negotiators are believed to be more concerned with winning their minimum wage demand than with securing specific percentage increases.

The union says about 60 per cent of the mining industry's black employees earn less than Rand 350 a month, while it is unofficially estimated that the present minimum wage is in the region of Rand 225 a month.

Archbishop Desmond Tutu ran into a noisy demonstration at Durban Airport on Thursday by fellow blacks protesting about jobs being lost because of sanctions.

The protesters said they were taken to the airport in a bus laid on by a conservative former black township mayor.

Reservists called up as Angola builds up forces

BY JIM JONES

SOUTH AFRICA'S Defence Force and Government appear to be walking a fine line between playing down for home consumption the call up of army reservists, while signalling to Luanda that the country will resist any threat from the latest build-up of Cuban and Swapo troops in southern Angola.

According to the army, about 11,000 Cuban and Swapo troops are spread out along a 450 km front inside Angola, in places as little as 12 km from the Namibian border.

Military and political analysts in Pretoria believe the military build-up represents a Cuban attempt to improve its side's bargaining position ahead of the next round of regional settlement talks.

Pretoria's response of making reservists available for service in Angola, they say, can be seen in the same light. Nevertheless, service in Angola is not popular with many reservists or national servicemen.

In Pretoria yesterday the Defence Force played down the call-up, saying it was a precautionary move to ensure Citizen Force reservists, who have periodic military commitments for twelve years after their two-year full-time stint as national servicemen, are prepared for service in Angola.

● South Africa will enter its third year under emergency rule at midnight on Saturday. In Cape Town yesterday President Botha told parliament the Government would officially renew the state of emergency in a government gazette to be published today.

Uprising brings deep change to Palestinians

BY ANDREW WHITLEY IN JERUSALEM

THE FIRE of the *intifada* (uprising) may have burned down, but the coals were still glowing hot under the surface, Mr Yitzhak Rabin, the Israeli Defence Minister told a parliamentary committee a few days ago.

The mass demonstrations and violence of the early weeks of the uprising had tapered off, he observed. But the attitudes of the insurgent population towards Israel and the occupation had not changed to any significant extent.

Six months after a Gaza traffic accident sparked the most serious Palestinian revolt in half a century, Israeli troops may be back in almost unchallenged control of the roads and the villages of the occupied West Bank and Gaza Strip. But the army has made little headway in persuading its unwilling subjects to reassume the chafing yoke they shrugged off on December 9.

To get this far in restoring Israeli authority required extraordinary efforts. Conscious of the watching eyes of the world, and the maddeningly diffuse nature of the grass roots protests, the army has been relatively sparing in the use of its firepower — unlike its handling of earlier bouts of trouble.

Even so, more than 210 Palestinians have been killed and thousands injured or crippled, including young children. According to a United Nations tally, at least six youths have been beaten to death by soldiers: the most recent case being that of a 19-year-old from Jabalaya camp who died in the emergency room of an Israeli hospital on Tuesday.

The numbers in "administrative detention", swept up in nightly trawls of potential leaders, are climbing steadily towards 2,500. In addition, at least 3,000 others are in jail at any one time — awaiting trial, convicted of participating in disturbances by a military drumhead court or simply taken out of circulation for a while to cool their heels.

Decapitating the movement was one aggressively applied tactic. Another, less publicised but just as effective, has been the isolation of the infection: putting refugee camps or even large cities such as Nablus under siege, sometimes for weeks on end.

Add to this the near complete severing of links with the outside world and the financial tourniquet applied to the entire region, staunching the inflow of cash, and the extent of all-round pressure being brought to bear becomes evident.

"The confrontational spirit of the people is something remarkable, something I have never seen before," said Mr Ibrahim Dakkak, who heads a development research centre in east Jerusalem.

As striking as this new found bravado was the mature restraint shown in the slogans — the external expression of goals — employed. Despite immense provocations, this elderly, left-wing intellectual argued, there had been none of the anticipated calls to destroy Israel, or "throw the Jews into the sea".

Almost unnoticed, the *intifada* has succeeded in fusing a radical restructuring of Palestinian society in the occupied territories.

The old familial ties of loyalty and hierarchy have broken down, perhaps irreparably, to be replaced by *ad hoc* committees which cut across traditional lines. These run the gamut from women's sewing groups to the clandestine co-ordinators of the leaflets which set the tone for the period ahead.

For all the exertions of the Shin Bet security police, the instruction leaflets continue to be published and distributed at regular, usually weekly, intervals. And their orders are unquestioningly followed by the population at large.

The question being asked in an increasingly insistent fashion — mostly by outsiders — is, naturally: where to now? Palestinian activists brush the interrogation aside with barely concealed irritation. No matter what form it might take, they say, whether it be civil disobedience or the waylaying of Jewish settlers, it will continue.

The scales have fallen from their eyes, and those of their occupiers. And there is no going back to the days of innocence which prevailed before last December.

Andrew Gowers writes from Algiers on the issue which has dominated the summit

Arab ranks closed by revolt in Israel

IF THERE is one message that emerges loud and clear from this week's emergency meeting of Arab leaders in a hilltop hotel overlooking the bay of Algiers, it concerns the central role which the Palestinian revolt in the Israeli occupied West Bank and Gaza Strip has assumed in the politics of the Arab world.

The result, after an initial period of uncertainty, appears to have been a significant closing of Arab ranks. This was revealed in the high turn-out of 17 heads of state this week.

It was also underlined by what seems, by the normally tortuous and often acrimonious standards of Arab debate, to have been a remarkably businesslike meeting, with Algerian President Chadli Bendjedid using the chair to press vigorously for a strong consensus.

Nothing has been allowed to distract attention from the main issue. The Gulf War played second fiddle. Even the contentious issue of Egyptian attendance at future Arab summits was sensibly shelved for discussion at an ordinary Arab summit planned for November in Riyadh.

There appear to be three reasons for the meeting's relatively positive tone:

● The recent moves for reconciliation between North African states. *The Algerians see the* presence of King Hassan of Morocco in Algiers for the first time since the 1970s as a big step towards their goal of a united Maghreb. Mr Chadli, the leader of one of the traditionally "steadfastness states", has clearly been going out of his way to keep Morocco, a leading Arab moderate, on board. He has sought to reign in Col Muammar Gadaffi, the Libyan leader, who has spent some of this week ranting ineffectually against "lackeys of US imperialism".

● Intense co-ordination between Jordan and Syria, as the two remaining intact "front line" states following Egypt's separate peace with Israel.

● The radically changed climate in superpower relations,and in particular the role played by the Soviet Union. Following last month's Moscow summit, Mr Mikhail Gorbachev, the Soviet leader, has sent three messages to Mr Yassir Arafat, PLO chairman, and Mr Yuli Vorontsov, a Soviet deputy Foreign Minister, was in Algiers directly before the summit.

This is significant because of the Soviet Union's current drive to reduce superpower tensions by working to resolve regional conflicts. Soviet influence in favour of a relatively moderate Arab stand would be of a piece with Moscow's recent overtures to Israel, with the Soviet role in last year's reconciliation of warring *Palestinian factions in Algiers* and with Mr Gorbachev's insistence on the need for the PLO to recognise Israel's right to exist.

In other words, a summit that seemed destined at the outset to be a forum for the Palestine Liberation Organisation to pursue its maximum demands for support has turned into something rather more sophisticated.

> But it was not Mr Arafat's show alone, nor has he been allowed anything like a free hand in his efforts to bolster the uprising. Other Arab leaders have refused to be intimidated by the extreme proposals advanced as part of the PLO's lobbying campaign

Mr Arafat has certainly wasted no opportunity this week to press for an unequivocal reaffirmation of the PLO's status as "sole legitimate represenative" of the Palestinian people.

But it was not Mr Arafat's show alone, nor has he been allowed anything like a free hand in his efforts to bolster the uprising. Other Arab leaders have refused to be intimidated by the extreme proposals advanced as part of the PLO's lobbying campaign. Instead, they have been addressing a more complex and difficult question: how to build the uprising into concrete political gains.

Though their rhetoric differed markedly, states commonly classed as "radical" and "moderate" found a surprising amount of common ground. In his keynote address, Mr Chadli spoke of the need to "translate words into deeds" in using pressure from the uprising to push the idea of an authoritative international peace conference on the Middle East.

A remarkably similar analysis came from King Hussein of Jordan, who has been criticised by Arab militants for displaying ambivalence about the uprising and for maintaining a dialogue with Mr George Shultz, the US Secretary of State, on the latest American peace plan. US policy, he said, was based on "crisis management" and US administrations only embarked on political initiatives in response to regional upheavals "taking on the aspect of war".

The Palestinian uprising was seen in Washington as just such a phenomenon, so the Arabs should support it "in an organised and effective manner" to step up pressure on Israel and especially on its US ally to change their approach.

It was a clever speech, simultaneously responding to mainstream pressure for action in support of the uprising and aiming to deflect demands from the PLO and elsewhere for an outright rejection of the Shultz plan.

By refusing, as expected in a final communique last night, to slam the door completely on Mr Shultz's faltering peace efforts while in effect decrying substance of his plan, the Arab leaders have several aims.

First, they hope to train the spotlight back on the rejectionism of Mr Yitzhak Shamir, the Israeli Prime Minister. Second, those most directly involved in the conflict want to keep the US engaged beyond this year's presidential election, while increasing American discomfort over the problems the Palestinian revolt is causing for Israel. Third they are sending a powerful message to the Soviet Union.

All this does not mean that Arab divisions over the underlying issues — especially the nature of a Palestinian state or Palestinian representation in peace talks — are anywhere near resolved. Continuing tension was evident between Syria and the PLO during the summit. Nor does it do anything to narrow the basic differences between Arabs and Israelis.

But it may put the Arabs in a more credible position to press their case on international opinion at a time when high hopes are being pinned on the superpower rapprochement.

Pakistan accused by Moscow

By Quentin Peel in Moscow

PAKISTAN was yesterday formally accused by the Soviet Union of a string of violations of the Afghanistan peace agreement, including large-scale shipment of arms to Afghan rebels, and allowing US and French instructors to cross its border to train guerrillas to use advanced missiles.

The latest charges were contained in a formal complaint by Mr Eduard Shevardnadze, the Soviet Foreign Minister, to Mr Javier Perez de Cuellar, the UN Secretary-General, responsible for overseeing the Geneva peace agreement.

The Soviet complaint insisted that both the Soviet Union and Afghanistan have "strictly abided by their commitments" providing for the steady withdrawal of Soviet troops from the country.

"At tha same time, unfortunately, there are ever more proofs that the Pakistani side has, from the very first day... embarked on crude violation of its commitments," Mr Shevardnadze said.

He said that "big consignments of weapons" had been carried from depots in Islamabad and Karachi to "Afghan opposition bases in Chitral, Landikotal, Parachinar, Terimangal *and Chaman*, and from there are supplied into the territory of ... Afghanistan".

Zia names 18 member cabinet

By Mohammad Aftab in Islamabad

PRESIDENT Gen Zia ul-Haq yesterday announced an 18-member cabinet, half of whom were ministers in ex-Prime Minister Mohammad Khan Junejo's Cabinet. The Junejo Cabinet was dismissed on charges of corruption and other failures on May 29. The National Assembly was also dismissed on similar grounds then. There will be no Prime Minister, as Gen Zia will take on that role.

It amounts to tilting the system back towards a presidential form of government. This system *was abandoned in March 1985* when Mr Junejo was named the first civilian prime minister and martial law was lifted afterwards.

Gen Zia said the new Cabinet would act as caretaker government, which will be in office until elections for the assembly.

NOTICE TO HOLDERS OF

BRIDGESTONE CORPORATION
(Formerly Bridgestone Tire Co., Ltd.)

U.S. $70,000,000
5½ per cent Convertible Bonds due 1996 (the "1996 Bonds")
Yen 20,000,000,000
2¼ per cent Convertible Bonds due 2000 (the "2000 Bonds")
U.S. $100,000,000
Bearer Warrants to subscribe up to ¥ 14,510,000,000 for shares of Common Stock of
BRIDGESTONE CORPORATION
(the "Warrants")

Pursuant to Clause 7(B) of the Trust Deed dated 23rd February 1982 for the 1996 Bonds and the Trust Deed dated 22nd October 1985 for the 2000 Bonds respectively and the Clause 4(A) of the Instrument dated 26th October 1987 for the Warrants, under which the above-mentioned Bonds and Warrants were issued, notice is hereby given as follows:

1. On May 27, 1988 the Board of Directors of the Company resolved to make a free distribution of shares of its Common Stock to shareholders of record at the close of business on June 30, 1988 in Japan, at the rate of 0.1 new share for one share held.

2. Accordingly, the conversion prices of the above-mentioned Bonds and the exercise price of the Warrants will be adjusted effective as of July 1, 1988, Japan time. The conversion prices of the Bonds and the exercise price of the Warrants in effect before such adjustment are Yen 427.30 per share of Common Stock for the 1996 Bonds, Yen 520 per share of Common Stock for the 2000 Bonds and Yen 1446 per share of Common Stock for the Warrants. The adjusted conversion prices and the exercise price will be Yen 388.50 per share of Common Stock for the 1996 Bonds, Yen 472.70 per share of Common Stock for the 2000 Bonds and 1314.50 per share of Common Stock for the Warrants.

BRIDGESTONE CORPORATION

By: The Bank of Tokyo Trust Company acting as Principal Paying Agent for the 1996 Bonds and Disbursement Agent for the Warrants

By: The Bank of Tokyo, Ltd. London acting as Principal Paying Agent for the 2000 Bonds

Dated: June 10, 1988

IPNA 3 N.V.

Notice is hereby given that in accordance with article 8 of the Conditions of Administration, the Annual General Meeting of the holders of Depositary Receipts of IPNA 3 N.V. will be held on June 27th, 1988, at the office of the Stichting in Amsterdam, Herengracht 320 at 09.30 a.m. in order to review the annual accounts of IPNA 3 N.V. 1987.

According to article 9 of the Conditions of Administration holders of Depositary Receipts who want to attend the meeting have to deposit their certificates at the office of the undersigned, at Herengracht 320, Amsterdam, on June 24th 1988 at the latest or have to deposit on June 24th 1988 at the latest at the mentioned address a statement from a bank that those depositary receipts are in the custody of such bank and that it will keep those depositary receipts in its custody until the end of the meeting.

Notice that the agenda of the meeting and the annual accounts 1987 have been deposited at the offices of the Stichting at the aforementioned address and a copy thereof will be sent upon request to any holder of Depositary Receipts.

STICHTING IPNA 3 TRUST SERVICES

IPNA 2 N.V.

Notice is hereby given that in accordance with article 8 of the Conditions of Administration, tha Annual General Meeting of the holders of Depositary Receipts of IPNA 2 N.V. will be held on June 27th, 1988, at the offica of the Stichting in Amsterdam, Herengracht 320 at 15.00 p.m. in order to review the annual accounts *of IPNA 2 N.V. 1987.*

According to article 9 of the Conditions of Administration holders of Depositary Receipts who want to attend the meeting have to deposit their certificates at the office of the undersigned, at *Herengracht 320, Amsterdam,* on June 24th 1988 at the latest or have to deposit on June 24th 1988 at the latest at the mentioned address a statement from a bank that those depositary receipts are in the custody of such bank and that it will keep those depositary receipts in its custody until the end of the meeting.

Notice that the agenda of the meeting and the annual accounts 1987 have been deposited at the offices of the Stichting at the aforementioned address and a copy thereof will be sent upon request to any holder of Depositary Receipts.

STICHTING IPNA 2 TRUST SERVICES

IPNA. N.V.

Notice is hereby given that in accordance with article 8 of the *Conditions of Administration, the Annual General Meeting of the* holders of Depositary Receipts of INDOSUEZ & PARTNERS PROPERTIES IN NORTH AMERICA (IPNA) N.V. will be held on June 27th, 1988, at the office of the Stichting in Amsterdam, Herengracht 320 at 14.00 p.m. in order to review the annual accounts *of IPNA N.V. 1987.*

According to article 9 of the Conditions of Administration holders of Depositary Receipts who want to attend the meeting have to deposit their certificates at the office of the undersigned, at Herengracht 320, Amsterdam, on Juna 24th 1988 at the latest at the mentioned address a statement from a bank that those depositary receipts are in tha custody of such bank and that it will keep those depositary receipts in its custody until the end of tha meeting.

Notice that the agenda of tha meeting and the annual accounts 1987 have been deposited at the offices of the Stichting at the aforementioned address and a copy thereof will be sent upon request to any holder of Depositary Receipts.

STICHTING INDOSUEZ TRUST SERVICES.

Robert Thomson in Peking describes how direct-dial-democracy revealed a preoccupation

Inflation fears set Chinese hotline buzzing

"ARE MY ration coupons still useful?" a worried woman asked the hotline operator; an elderly man who had slipped through the state labour system desperately needed money.

Peking's hotline, a direct link from the masses to the mayor's office, had averaged 400 calls a month since opening last September.

Last week, 400 residents rang the 24-hour service, with most complaining about a new pricing policy which had prompted a jump in inflation.

Chen Xitong, the mayor, is cultivating a man-of-the-people image and so embraced the idea of direct-dial-democracy. However, in a city of 10m people there are only a few hundred thousand telephones, mostly in state offices or cadres' homes. Making a complaint is a problem.

Before the surge in inflation *last week, about 10 per cent of* calls were accusations of cadre corruption. They might be allegations that a certain official had lined his pockets with public money or had used influence to *help friends* jump the long housing queue. (Asked whether depressed or lonely people used the service as a lifeline, an operator explained that "we don't have those kinds of problems here".)

The Communist Party is conscious of its popularity, having approved the hotline and commissioned a spate of opinion polls, yet has been forced to introdnca unpopular price reforms to keep *the ambitious* economic reform programma moving.

State subsidies were removed on most foods last week, and residents *have been given a monthly* allowance as compensation, but the heat on the hotline is evidence of the disgruntlement.

Pork prices rose by up to 50 per *cent last week, while vegetable,* sugar and egg prices increased by at least 30 per cent in state shops. Queues of residents wanting quality produce are longer and forming earlier, and there have been reports of work slowdowns and sit-ins by unhappy residents.

Zhao Hu, director of the mayors public relations office and responsible for the hotline, said that the three operators on duty attempt to console anxious callers with an explanation of Party policy: "When we receive a call about inflation, we tell them about reform. Most people understand. People accept reform but they want more control over the markets."

About 3 per cent of complaints reach the desk of the mayor. He also receives a weekly breakdown of the call statistics and select letters of complaint. Sometimes Zhao Hn or the operators will act in the name of the mayor to inspire an otherwise listless bureaucracy: "It makes people react quickly."

A hotline operator, Li Xiaolin, said that the bulk of the calls she handles, particularly in recent days, have been from residents worried about the pricing policy. "They are worried about the future because they don't know if prices will rise again."

The Chinese leader, Deng Xiaoping, is apparently getting the message about inflation. A North Korean military delegation has just passed through Peking, and Deng used the opportunity to stress the importance of "objec*tive economic laws," though his* listeners from one of the world's most isolated and unreformed economies may have wondered why them.

Deng characterised the price reforms as bold but risky: "most of the people understand that the leadership has to do this and that the old pricing system did not tally with the law of value."

Restorers blamed for crumbling Sphinx

EGYPTIAN and foreign experts approved new emergency steps to repair the crumbling Sphinx, which has stood guard over the Giza pyramids on Cairo's outskirts for 4,600 years, Reuter *reports from Giza.*

The main move will ba to replace on July 9 a 300kg boulder *that fell* from the Sphinx's right shoulder in February, an international committee of specialists decided.

After the committee meeting, Mr Zahi Hawass, an Egyptian archeologist, said that a study of the monument with a lion's body and a man's face revealed serious problems, some stemming from previous restoration work.

"Many pieces could fall down," Mr Hawass said, adding that a combination of moisture and salt could pry away chunks of rock.

"The Sphinx has suffered a lot," he said. "If you look at all the restoration that was done from 1981 until 1987, it was done awfully."

A reinforcing wall built previously would be removed and replaced by one of smaller limestone bricks, the committee decided.

The 16-member panel rejected the use of iron reinforcing bars and mortar, and decided instead on an ancient method of interlocking blocks to support the structure, Mr Hawass said.

Water in cement used by previous restorers may have caused some splitting in the adjacent stone, scientists on the committee believe.

The 75 metre Sphinx, hewn from solid rock around 2600 BC, lost its nose long ago and its body is badly cracked and pockmarked. The latest stone to fall from the Sphinx also destroyed the career of Egypt's chief antiquities official, dismissed from his position.

In addition to immediate repairs, a comprehensive study of the monument has been started.

A sewage system will be provided for nearby villages to stem the tide of underground waste water in the area, Mr Hawass said. In the future, cars will be banned from the area to reduce pollution.

OBITUARY

P.C. Mahanti: FT's Calcutta correspondent

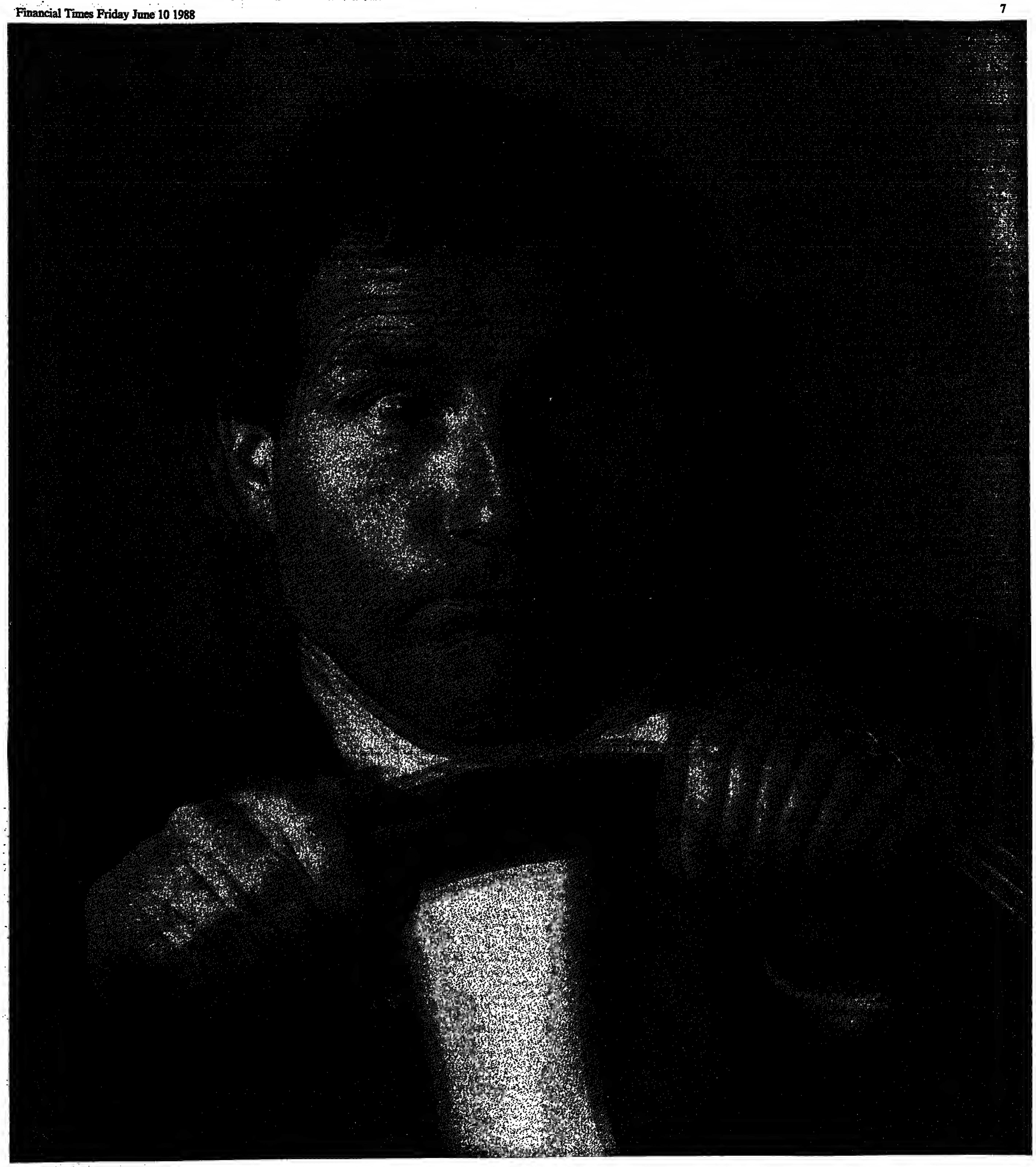
Mr P.C. Mahanti, the Financial Times's *correspondent* in Calcutta, died on Monday after a prolonged period of ill health. He was 62.

He worked for the *Financial Times* for 18 years, specialising in later years on reporting India's jute, tea and coal industries and the affairs of *leading* companies in his home city of Calcutta.

Mr Mahanti was also an expert on India's steel industry and owned and edited the monthly *Iron and Steel Review*. He was chief of tha news bureau of *Commerce* magazine. His expertise on the development of India's industrial and commodity sectors was considerable and he was formerly the *proprietor* of bi-monthly magazines covering the coal and rubber industries. He was also a contributor to range of other Indian newspapers and magazines.

He was an assiduous reporter, with many friends across the spectrum of Calcutta life. He is remembered gratefully by many Financial Times journalists who, over the years, have visited India and sought his patient guidance. His charming hospitality was a delight and even in poor health he was unfailingly willing to share his knowledge about his city, its industries and its politics, and about the surrounding state of West Bengal.

هكذا من الأصل



BEFORE RENAULT COULD BUILD BETTER SHOCK ABSORBERS, THEY HAD TO FIND A COMPUTER THAT COULD ABSORB THE SHOCKS.

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Rolls-Royce plans £300m upgrade of RB-211 engine

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS-ROYCE is to spend more than £300m on a more powerful version of its RB-211-524 jet engine, the model L, for airliners now under development.

These are the twin-engined, short-to-medium-range Airbus A-330, bigger or longer-range versions of the twin-engined 767-300, planned by Boeing, and the long-range McDonnell Douglas three-engined MD-11.

Rolls-Royce is discussing the new engine with all three aircraft manufacturers, and with a number of airlines, including British Airways, that have big orders in mind over the next year or so.

The engine will have a thrust rating initially of 65,000 lb, but will eventually be capable of expansion up to 70,000 lb and might go to 75,000 lb.

That compares with the 60,600 lb thrust of the most powerful RB-211-524 until now, the model H, which is under development for the fleet of 11 long-range Boeing 767-300s on order for British Airways.

Rolls-Royce has recognised for some time that it would have to boost the RB-211-524 to match competition in high-thrust engines from its US rivals, General Electric with the CF6-80C2 and Pratt & Whitney with its PW-4000 series.

Both those manufacturers already offer versions of their engines at more than 60,000 lb thrust, and have openly talked about going further.

Rolls-Royce aims to leapfrog those programmes by developing an engine of higher power initially than either GE or Pratt & Whitney can offer, and with greater potential for further growth.

Massive engines are now needed because airliners are becoming bigger and heavier, requiring more power to get them off the ground in all kinds of climatic conditions.

Many airlines now use twin-engined aircraft for long-range routes, especially over the Atlantic and Pacific oceans, where traffic loads do not justify the use of bigger aircraft with more engines.

Also, on shorter routes, especially in western Europe and in the US, where congestion at airports and in the air is becoming serious and seems likely to worsen, there is growing demand for bigger, twin-engined aircraft that can carry more passengers per flight.

Consequently, the Airbus A-330 high-density airliner is designed to carry almost 350 passengers up to 5,000 nautical miles, while Boeing has plans for even bigger versions of its 767 for similar duties.

● Rolls-Royce yesterday disclosed that it had won a £10m contract from the Ministry of Defence to repair Adour jet engines for the RAF's Hawk and Jaguar aircraft. The work will be done at East Kilbride Air Motive, the Rolls-Royce repair base in Scotland.

The company also announced that it had developed a more powerful version of the Pegasus engine, which powers the Harrier jump-jet fighter.

The engine, the 11-61, has a thrust of 23,800 lb against the current most powerful version's 21,500 lb, and will enter service in 1990 with the launch customer, the US Marine Corps.

Go-ahead for £420m gas project

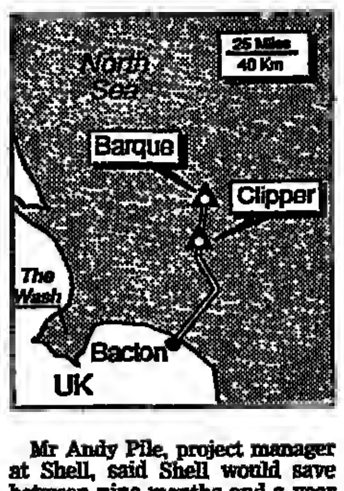
BY STEVEN BUTLER

SHELL AND Esso yesterday announced plans for a £420m gas field development in the southern North Sea. The Department of Energy has approved the project.

Work is to proceed immediately on building three platforms for the Barque and Clipper fields, in the Sole Pit area. Shell UK Exploration and Production will operate the field on behalf of Shell and Esso.

The project involves one of the single largest contracts in the history of North Sea developments, a nearly $100m (£55.2m) turnkey contract awarded to Brown & Root-Wimpey Highlands Fabricators, in a joint venture with Brown & Root-Vickers and SLP Engineering. The project will be seen through from detailed engineering and procurement to fabrication, installation and commissioning.

This is only the second time that development work in the North Sea has been awarded on a turnkey basis: that is, when a single contractor takes overall responsibility for a complete contract.



Mr Andy Pile, project manager at Shell, said Shell would save between nine months and a year by awarding the contract on that basis. Shell was able to use the long gas negotiation period with British Gas, amounting to 18 months, to draw up its own specifications for the project.

The main element of time savings is that fabrication can begin several months after the start of the contract period, before Brown & Root Vickers completes detailed engineering.

Fabrication of the jackets and decks for the platforms, at a cost of £36m, is to take place at Highlands Fabricators' yard at Nigg, Scotland, providing 600 jobs at peak. SLP Engineering of Lowestoft will design, fabricate and procure materials for living quarters on the Clipper platform, providing 200 jobs over two years.

Brown & Root Vickers, based in Wimbledon, is responsible for engineering and procurement.

The Barque and Clipper fields, which contain a total of about 900bn cu ft of recoverable gas, are in 72 ft of water, 46 miles north-north-east of the Shell and Esso Bacton gas terminal in Norfolk. First production is expected in October 1990, with field life running to 20 years.

Five other gas structures containing an additional 2.1 trillion (million million) cu ft of gas have been located in the area and could potentially be linked to the main production facilities at Clipper.

Appeals expected over GCSEs

BY DAVID THOMAS, EDUCATION CORRESPONDENT

THE EXAMINING boards are bracing themselves for an surge in appeals by schools and parents after publication in August of the first results of the 16-plus General Certificate of Secondary Education examination.

About 8 to 10 per cent of candidates who took last year's O-level and CSE exams appealed against the results. The Joint Council for the GCSE, representing all the examining boards, said yesterday it expected an increase on that level. That implies that more than 60,000 candidates might appeal.

Mr Dennis Hatfield, chairman of the GCSE joint council, said more appeals were likely because the exam was so new it would make people anxious. In any case there had been a tendency for more appeals in recent years.

The examining boards denied that there had been an unacceptable level of errors in GCSE examination papers. However, they plan to review the GCSE once this year's examination is over. They accept that the workload has been too heavy in some subjects.

The examining boards have established a new two-tier appeals procedure. Appeals will go first to the examining board and then to the joint council.

A school or parent will have to lodge £100 for an appeal to the joint council. The money will be returned if the appeal succeeds. Examining boards will set their own appeal fees.

Pupils have been entered for about 5.3m GCSE subjects in England and Wales. That is about the same number as for last year's O level and CSE, but the number of 16-year-olds has fallen, implying that more candidates have probably entered the GCSE.

Mr Hatfield denied that the examining boards were under pressure to make the results of this year's examination as similar as possible to last year's O and CSE results, to avoid accusations that GCSE was either too easy or too difficult.

● Mr Kenneth Baker, Education Secretary, has written to Manchester City Council asking it to publish in full its report into Burnage School, which investigated anti-racist policies after the murder of an Asian boy at the school. The council has so far issued a shortened version of the report, but Mr Baker said it raised issues of public interest.

Universities may face 'efficiency' test

BY DAVID THOMAS, EDUCATION CORRESPONDENT

THE GOVERNMENT appears likely to take into account the relative efficiency of universities when distributing funds under its new arrangements for funding higher education.

Mr Robert Jackson, Minister for Higher Education, yesterday strongly hinted that he expected universities to increase their student/staff ratios, as with the recent trend in polytechnics.

Mr Jackson, who was speaking to a conference on higher education in London organised by management consultants Touche Ross, said that under the present funding arrangements "the Government faces a very highly organised cartel of suppliers".

The Government is creating a new Universities Funding Council. Ministers have said they want a contractual arrangement between the Government and the council, on the one hand, and the council and individual universities on the other.

Mr Jackson said he wanted to create competition between the universities in a way that would reveal their relative efficiency. He added that polytechnics had become 20 per cent more efficient in the ratios between staff and students over the last five years, but that universities had stood still.

He also said the universities could do much more to attract private funds, suggesting that the squeeze on universities' public funds had not come to an end yet.

Mr Jackson's remarks are likely to fuel fears in the universities that the Government sees value for money simply in terms of cutting resources.

However, Mr Jackson denied that the quality of higher education was straightforwardly determined by the level of resources.

He pointed out that Britain spent a higher proportion of gross domestic product than most western European nations on higher education.

Currie puts aduki bean soup on the health menu

By Lisa Wood

"IF YOU can satisfy squaddies, you can satisfy anybody," according to Mrs Edwina Currie, junior health minister.

The way to do it, according to Mrs Currie, is to feed them passion cake, aduki bean soup and aubergine bake.

British soldiers were among the guinea pigs for a file of 251 recipes, launched by Mrs Currie yesterday for use in establishments such as hospitals, schools and residential homes.

Mrs Currie, hovering over a passion cake elegantly prepared by private caterers, said the squaddies thought the recipes were "smashing" and had no idea they were eating a low-fat version of their favourite hamburgers.

Not that Mrs Currie, then eyeing a piece of sticky prune cake (175kcal of energy, 3.8g of fat and 3.2g of fibre per portion) wanted to launch a national diet.

Rather, she said, the recipes, prepared by a Department of Health and Social Security working party and available at Her Majesty's Stationery Offices, would provide practical help to caterers wanting to offer healthy, attractive and tasty dishes.

Mrs Currie, who has criticised the "fish and chips" diet of northerners, was asked if the new recipes should be used particularly in the north. She said: "This entire nation has levels of heart disease that are among the highest in the world. We have nothing to be proud of about our national diet."

Asked what was different in the new recipe book from its predecessor, she said the recipes contained much more fibre, the fats used were unsaturated and if flour was used it was often a mixture of white and wholemeal.

"Good food does not need to be expensive," said the junior health minister, delicately peeling a grape. Asked whether or not people should not be free to eat themselves into an early grave if they wanted to, she got down to the nitty gritty.

Illnesses attributed to poor lifestyles, she said, cost the National Health Service a lot of money. In addition, people when they keeled over said they wished they had been warned.

It is not just the recipes that have been designed to promote a healthier and longer life. A senior member of the working party confided that the reason the recipes were contained on laminated cards was that two well thumbed hospital recipe books had been condemned by environmental health inspectors as health hazards in themselves.

SIB chief Croft reappointed for three years

By Richard Waters

MR ROY CROFT, chief executive of the Securities and Investments Board, the chief regulator under the Financial Services Act, has kept his post after the dismissal of his former chairman, Sir Kenneth Berrill. Mr Croft was yesterday reappointed for a further three years.

In contrast, Sir Kenneth was replaced at the start of this month by Mr David Walker, a former executive director of the Bank of England. Sir Kenneth's departure followed a wave of antagonism from practitioners objecting to the way he implemented the act.

It was also announced yesterday that board membership had been cut by three, to 15, with three members' retirement. That was because the board had moved from policy to operational mode and would operate better with fewer members, it said.

A fourth member will retire at the end of next month. It has not been announced if this vacancy will be filled.

Terry Dodsworth on the break-up of the Thorn Ericsson joint venture

Telecoms partners grow apart

THORN EMI's withdrawal from *its joint venture with Ericsson in* telecommunications equipment manufacturing is the result of sharp changes in the direction of both companies over the last few years.

For Thorn, the reorientation has led to a steady disposal programme since 1985, when the group ran into financial trouble after a period of expansion. Since then, it has sold its cinema business, abandoned its ambitions to become a leading player in the video field, disposed of its domestic appliance activities, and pulled out of television and video cassette recorder manufacturing.

Its 51 per cent stake in Thorn Ericsson was an obvious contender for divestment as well. Under its present management team, the company has put heavy emphasis on activities that are already established overseas, or that have the potential to be developed into international businesses.

Thorn Ericsson satisfied nei*ther of those criteria*, because it was set up specifically to serve the UK market.

At the same time, Thorn had no real control over the destiny of the joint venture, first established in 1973. In spite of its 51 per cent shareholding, the UK company was in a commercial sense the junior partner, since the technology in the business came from Ericsson, one of the world's leading telecommunications groups.

Ericsson similarly has shown signs of dissatisfaction with a joint venture that has outlived its usefulness. The Swedish company has itself been rationalising and reorganising over the last few years, selling off activities regarded as marginal to its main interests in telecommunications, and concentrating more closely on the European market.

That policy has led to a big shift in Ericsson's geographical sales, of which 70 per cent now go into western European countries, *compared with 50 per cent* five years ago.

Last year, it pulled off a significant coup when it gained entry to the French public telephone exchange market. The takeover of the whole of Thorn Ericsson gives it sole responsibility as the second supplier in the UK in competition with the GPT consortium of Plessey and the General Electric Company. It will also give the group greater flexibility in moulding the future of the British business.

The deal illustrates the steady opening of the UK telecommunications market to foreign suppliers. When Thorn Ericsson won its bid to become a supplier of digital exchanges to British Telecom three years ago, the name of Thorn was an important component in gaining the upper hand over other foreign competitors. Today, the British market is known as one of the least protected in the world.

Ericsson is not saying yet how much it will pay for Thorn's stake. However, analysts believe it will total £60m to £70m – an adequate return for Thorn, they say, and a reasonable sum for Ericsson to be paying for sales of about £130m a year.

Thorn Ericsson, which has 1,800 employees, is set for steady growth in sales, underpinned by its supplier arrangements with BT, but helped by sales of private telecommunications systems.

It recently spent £14m on expansion of its site at Scunthorpe in Humberside to build up capacity to supply up to about 750,000 telephone lines a year – about a third of BT's requirements.

After taking in some hefty orders last year, it is now working at that level, and expects to make a small profit for its financial year to March. Mr Duncan MacDougall, managing director, says next year it will be in healthy profit.

BP chief confirmed as chairman of smaller power company

BY MAURICE SAMUELSON

THE GOVERNMENT has confirmed that Mr Robert Malpas, a managing director of British Petroleum, is to occupy a leading position in the UK electricity industry after its privatisation.

He has been picked as chairman-designate of one of the two generating companies to be carved from the Central Electricity Generating Board as part of the move to inject competition into electricity production.

Mr Malpas, 60, who is also chairman of the highly profitable BP Chemicals, will assume the new position in mid 1989 when he is due to retire from BP. Meanwhile, he will be closely involved in consultations on how the power stations are to be shared out.

Mr Cecil Parkinson, Energy Secretary, yesterday described him as "an engineer with an outstanding record in the management of large, capital-intensive businesses."

As chairman-designate of the so-called "Little G", Mr Malpas will inherit 30 per cent of the CEGB's total generating capacity. But with "Big G" also comprising all the CEGB's nuclear plant, the two rival generating companies will be quite well matched in terms of coal and oil-fired stations.

As expected, Lord Marshall, chairman of the CEGB, was named chairman-designate of Big G.

Both are among a series of senior appointments for the privatised electricity industry announced in a written parliamentary answer by Mr Peter Morrison, Energy Minister of State.

All the other nominees are senior or long-serving employees of the industry. Mr John Baker, the CEGB corporate managing director, and Mr Ed Wallis, CEGB operations director, are to be chief executives of Big and Little G respectively.

Mr David Jefferies, deputy chairman of the Electricity Council, will be chairman of the company that will take over the running of the transmission system from the CEGB. His chief executive will be Mr Bill Kerss, deputy chairman of the South Wales Electricity Board.

The Government is refusing to disclose the salaries which they can expect to earn once their companies come into existence. At BP, Mr Malpas is believed to earn between £220,000 and £250,000 a year, compared with Lord Marshall's 1986-87 salary at the CEGB of £76,548.

Mr Malpas, who is abroad, was not available to comment on his appointment. But Lord Marshall said he would be "honoured" to head Big G.

Regulation of utilities 'difficult'

BY MAX WILKINSON, RESOURCES EDITOR

REGULATING the big privatised utilities will prove more difficult and more complex than many people expect, say two Oxford economists in a paper published yesterday.

Dr Dieter Helm and Professor George Yarrow say the apparent simplicity of the Government's formula for limiting price increases is "largely illusory."

They believe that in the long run regulatory bodies will be obliged to conduct much the same kind of detailed appraisal of the industry under their control as happens in the US.

When British Telecom was privatised in 1984 the Government established the RPI minus X formula to limit future price increases, with X given the value of 3. That means British Telecom's maximum price rises must be 3 percentage points less than the rate of inflation in any year.

A similar formula was applied to British Gas. The electricity industry is expected to be regulated in the same way after privatisation.

The aim is to avoid the complexities of US regulation. In the US, prices are set to provide utilities with a guaranteed rate of return on capital. That requires regulators to make a detailed appraisal of "reasonable" costs and of "prudent" investments.

The resulting arguments often lead to protracted court hearings. Many thousands of lawyers make their living out of such cases.

In the latest issue of the Oxford Review of Economic Policy, Dr Helm and Prof Yarrow say it is wrong to believe the British system of regulation is fundamentally different from that in the US. "Nearly all operational schemes for regulating utilities rest on one or other form of price control."

They point out that the X factor in the RPI minus X formula will have to be reset periodically. That must be done in relation to the costs.

Regulators will also need to take account of the quality of service provided, in case utilities provide lower service for the same price, the paper says.

Oxford Review of Economic Policy Vol 4 No 2 Summer 1988, Regulation and Utilities. Oxford University Press. Single issue personal price: £8, institutional: £16.

Accountant advice row flares up

By Richard Waters

THE SMOULDERING dispute over accountants' involvement in corporate finance advisory work was stoked into life yesterday on publication of a survey.

The survey showed that 98 per cent of Unlisted Securities Market companies believe accountants should advise on mergers and acquisitions.

The survey was of 80 USM companies and commissioned by Coopers & Lybrand, the accountancy firm.

It follows a statement by Peat Marwick McLintock, the largest UK accountancy firm, that giving corporate finance advice might damage accountants' independence and objectivity.

Competitors have attacked Peat for trying to take the moral high ground on the issue. Peat has also been accused of having double standards.

In a further development, a finance director has been referred to the disciplinary authorities of the Institute of Chartered Accountants in England and Wales for his part in a takeover bid.

Accountants in commerce and industry are subject to the same ethical standards as accountants in practice. That means that in hostile bids they have the same duties of objectivity and independence as have practising accountants.

The complaint is against Mr Jeff Harris, finance director of UniChem, a pharmaceutical wholesaler. If upheld, it would in effect prevent all finance directors who are also chartered accountants from becoming involved in bids launched by or against their companies.

The ICAEW, seeking to avert controversy, is trying to rush through a review of the effect on accountants' independence of "corporate advice situations, with particular reference to takeovers." The review is due to be completed by the start of November.

The Coopers survey shows two thirds of USM companies believe accountants should be allowed to attack publicly companies in hostile takeovers.

This has become a big source of business for accountants, and also the focus of much of the criticism. Mr Clive Williams, head of corporate finance at Coopers, says his firm has been involved in two thirds of all hostile bids launched in the past 15 months.

He said: "A lot of the work is for merchant banks, preparing critical analyses of accounts and other published financial information."

However, this type of work has exposed firms to public attack. The ICAEW criticised Coopers for its role in attacking BTR in that group's attempted takeover of Pilkington, a leading glassmaker and Coopers audit client. This year it won an appeal against the decision.

A complaint has also been made against Price Waterhouse over a report it prepared for McCarthy, a company it does not audit, in its contested bid for UniChem.

In retaliation, the McCarthy camp complained against Mr Harris, the UniChem finance director, and Spicer and Oppenheim, Unichem's auditors.

Yesterday an accountant on the McCarthy side said: "A finance director ought not to say that two and two equals five, if all the professional rules he has learned say that they equal four."

Mr Harris said: "As a chartered accountant in industry, you have to pin your colours to the mast in these situations. I'm entirely relaxed that I was within the professional rules."

Coal row continues

BRITISH Coal made clear yesterday that there were still significant differences between it and the South of Scotland Electricity Board in their negotiations on the price and size of future coal supplies to the power utility.

The SSEB is trying to secure cheaper supplies from British Coal and in the meantime is importing some foreign coal.

Smith & Nephew Textiles head resigns

BY ALICE RAWSTHORN

THE HEAD of Smith & Nephew Textiles, part of the medical and health care products group, has resigned after only a year in the post.

Mr Chris Davies left the group this week. Mr Eric Kinder, chief executive, declined to comment on the reason for his resignation, but described his departure as "amicable." Smith & Nephew has not yet appointed a successor.

Smith & Nephew Textiles embraces seven factories in Lancashire, with a workforce of 2,000 people. The plants produce specialist textiles, generally for use in the group's medical and health care products. The only non-specialist plant is a denim factory.

The specialist plants are presently performing well, but the denim factory has had difficulties. Its export activities have suffered from the strength of the pound and home sales have been affected by an influx of imports.

Last week Smith & Nephew Textiles resolved an industrial dispute by breaking ranks with the British Textile Employers Association and offering a separate deal to its employees. Mr Kinder said that Mr Davies' departure was not associated with the dispute.

Plessey Radar wins 'star wars' contract

BY LYNTON McLAIN

PLESSEY RADAR, the Isle of Wight subsidiary of the Plessey company, was awarded a $500,000 (£276,000) contract for the US Strategic Defence Initiative "star wars" programme yesterday.

The contract calls for Plessey Radar to carry out research into a suitable radar frequency for use in active radars

It is the third SDI contract awarded to Plessey companies since the programme was launched in the mid-1980s and brings to 64 the total number of SDI contracts awarded to UK companies, out of the total of 142 SDI contracts awarded outside the US.

Lt-Gen Abrahamson, the director of SDI, announced the Plessey contract on a visit to the Isle of Wight. He said the 64 UK SDI contracts were valued at a total of $64m.

The other countries that had been awarded SDI contracts outside the US were West Germany, Israel, Italy, France, Canada, Belgium and the Netherlands.

Business Expansion Scheme 'has failed'

BY CHARLES BATCHELOR AND VANESSA HOULDER

THE BUSINESS Expansion Scheme, launched by the Government to 1983, has largely failed to its main purpose of providing capital for small companies, according to a report published yesterday. The scheme has not helped significant numbers of high-risk businesses and only a small proportion of investments has gone to manufacturing companies, says the report, published by the Small Business Trust.

It says that although the amount of finance raised by companies through the BES – £410m in the three years 1983-84 to 1985-86 – has been similar to the sums raised in other forms of venture capital, the take-up rate has been low compared with other government schemes, such as the loan guarantee scheme, intended to help the small business sector.

BES provides tax breaks for people investing over five years in qualifying small companies. There are three main methods: through prospectus issues, which have been typically used to raise amounts of more than £500,000 for individual companies; through funds which spread their investments over several companies; and through direct investment in individual companies.

The report argues that there is still an "equity gap" between £100,000 and £500,000 which BES has largely failed to fill. The popularity of prospectus issues has meant that companies seeking smaller amounts of money through BES funds have been squeezed out. Companies seeking less than £100,000 have fared better by persuading individuals to make direct investments.

Hopes that the scheme would assist high-risk businesses have not been met with most of the funds raised going to service-sector businesses, often asset-related and predominantly in the wholesale, retail, property and leisure sectors.

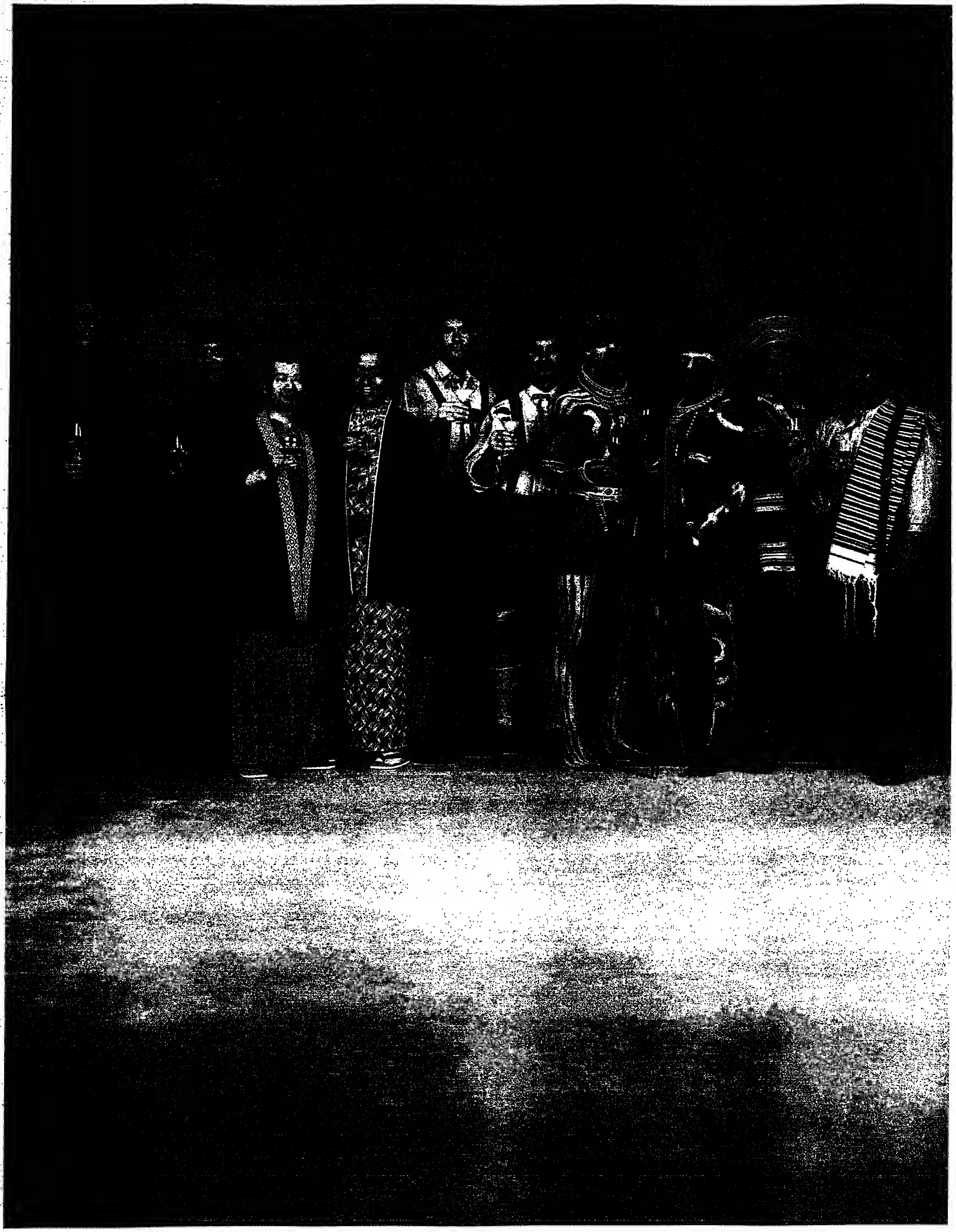
The proportion of total finance invested in manufacturing has declined from about a third in 1983-84 to less than a quarter in 1985-86.

The report's authors call for BES funds to be made more attractive relative to prospectus issues; for the establishment of financial "marriage bureaux" to encourage more direct investment by individuals; and for tax reliefs to be extended to people who become directors of BES-funded companies.

They approve the move in the last budget to put a limit on the amount of BES funding that any company can take up but urge that the £500,000 limit set by the budget should be raised to £750,000-£1m to reduce the relative cost of raising funds. They propose that certain asset-based businesses should be excluded from the BES and suggest the establishment of more local and regional BES funds.

Mr Chris Smith, Labour Treasury spokesman, said the report demonstrated that the scheme was an inefficient way of raising capital for business, but a very efficient way of organising tax shelters for the wealthy.

Closing the Equity Gap? An Assessment of the Business Expansion Scheme by Colin Mason, John Harrison and Richard Harrison. Published by the Small Business Research Trust. £25.




me
daisy
mummy

If your five-year-old son were asked to draw a picture of his family, would you be in it?

'I WAS really choked. He gave it to me at breakfast one Saturday. Really proud of it, he was. There was his mother, his big sister and him. I just wasn't in the picture.'

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UK NEWS

Rolls-Royce to upgrade RB-211

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS-ROYCE is to spend more than £300m on a more powerful version of its RB-211-524 jet engine, the model L, for new twin-engined and three-eogined airliners under development.

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Such massive engines are now needed because airliners are becoming bigger and heavier. Many airlines are now using twin-engined aircraft for long-range routes, especially over the Atlantic and Pacific oceans, where the traffic loads do oot justify the use of bigger Boeing 747 four-engined equipment.

Also, oo shorter routes, notably in Western Europe and the US, where congestion at airports and in the air traffic control system is already serious and seems likely to worsen, there is growing demand for bigger, twin-engined equipment which can carry more passengers per flight, rather than for larger numbers of smaller aircraft.

The Airbus A-330 high-density aircraft, which can carry close to 350 passengers up to 5,000 nautical miles, is designed specifically for these roles, while Boeing has plans for even bigger versions of its 767 for similar duties.

● Rolls-Royce yesterday revealed it had woo a £10m contract from the Mioistry of Defeoce to repair Adour jet engines for the RAF's Hawk and Jaguar aircraft. The work will be done at East Kilbride Air Motive, the Rolls-Royce repair base in Scotland.

The company also revealed it had developed a oew more powerful versioo of the Pegasus jet engine which powers the Harrier jump-jet fighter. Called the 11-61, it has a thrust of 23,800 lbs against the current most powerful version's 21,500 lbs, and will enter service in 1990 with the launch customer, the US Marine Corps.

British Coal pollution research plant may be closed

By Clive Cookson

BRITISH COAL's £38m experimental plant to develop oew technologies for clean coal-fired power stations will have to close down later this year, unless a oew source of funds is found very quickly.

The financial crisis at the pressurised fluidised bed combustion plant at Grimethorpe in Sooth Yorkshire follows a decision by the Central Electricity Generating Board oot to renew its three-year agreement with British Coal to share the costs of research there.

The plant was set up jointly by the UK, the US and West Germany in the early 1970s.

Mr Stepheo Dawes, director of Grimethorpe, said that the latest technology developed there, known as a "topping cycle" promised to be the best solution to the problem of burning coal efficieotly in a power station without emitting the pollutants which cause acid rain.

Britain has faced stern criticism from its European neighbours for its attitude towards measures designed to limit the pollutants causing acid rain.

British Coal estimates that Grimethorpe will need a further £38m over the next three years and says it cannot afford to pay more than half of that itself.

British Coal officials are oow lobbying the UK Department of Energy to provide most of the remaining funds, perhaps with a contribution from the European Community or the US Department of Energy.

The CEGB said it was not prepared to pnt any more money into Grimethorpe, because the process would only work well in small stations and the board wished to build only big plants.

Shell and Esso plan North Sea gas field

BY STEVEN BUTLER

SHELL AND Esso yesterday announced plans for a £420m gas field development in the southern North Sea following approval of the project by the Department of Energy.

Work is to proceed immediately on constructioo of three platforms for the Barque and Clipper fields, in the Sole Pit area. Shell UK Exploration and Production will operate the field oo behalf of Shell and Esso.

The project involves one of the single largest cootracts in the history of North Sea development, a turnkey contract worth £55.24m awarded to Brown & Root-Wimpey Highlands Fabricators, in joint venture with Brown & Root-Vickers and SLP Engineering.

This is only the second time that developmeot work in the North Sea has been awarded on a turnkey basis: that is, when a single contractor takes overall responsibility for a complete contract. Mr Andy Pile, project manager at Shell, said Shell would save between nine months and a year by awarding the contract on this basis.

The Barque and Clipper fields, which contain a total of about 900bn cu ft of recoverable gas, are in 72ft of water, 46 miles north north east of the Shell and Esso Bacton gas terminal in Norfolk. Production is expected to begin in October 1990, with a projected field life of 20 years.

Five other gas structures containing an additional 2.1 trillion (million million) cu ft of gas have been located in the area and could potentially be linked to the main facilities at Clipper.

Union leader pressed to quit over reports

BY MICHAEL SMITH

THE National Communications Union was last night plunged into a leadership crisis after members voted to ask Mr John Golding to resign as general secretary over allegations about his personal life.

Mr Golding last night refused to reveal his intentions but said it was extremely unlikely that he would quit. A protracted battle over his future is in prospect.

The union's executive, which backed the motion seeking Mr Golding's removal, is taking legal advice over its options.

Any move to sack him would be strongly resisted by APEX, the executive and computer workers union of which Mr Golding is a member.

In a letter to the NCU before yesterday's national conference vote, APEX said that debating the motion would be unlawful.

Mr Golding's problems stem in part from his politics. His moderate views are disliked by the left, who have recently increased their strength on the executive. Last year he only narrowly survived a motion calling for his resignation over his handling of the 1987 British Telecom strike.

Mr Golding's opponents yesterday kept their criticism to his handling of reports in the News of the World sunday newspaper earlier this year about an alleged liaisoo with a prostitute.

Mr Eric Johnstone, a delegate from Ballymena who proposed the motion, said Mr Golding's failure to deny the allegations meant he had lost credibility as a negotiator and brought the name of the NCU into disrepute.

Nick Garnett analyses the UK steel industry's productivity record

British Steel bends itself into shape for sell-off

"YOU'VE GOT to be able to fire a goddam shotgun down the shop-floor and not hit anyone."

This was the description, coined some years ago by Sir Ian Macgregor, the former chairman of the British Steel Corporation, about the kind of low-manned plant required by a modern steel industry.

After spending £985m in capital investment in the past five years, it is a mark of the times that BSC, which is heading for privatisation towards the end of the year, has some plants now where you could let fly with buckshot and fail to hit a target.

At Port Talbot in South Wales, the corporation's most efficient strip mill, the actual steelmaking section of the plant requires just 75 men per day spread across three shifts to produce 45,000 tonnes of liquid steel a week.

The dramatic improvements in productivity at BSC, involving a labour reduction from 140,000 in 1980 to 52,000 today and the closure of more than a hundred pieces of production kit, have played a large part in changing the financial fortunes of the corporation.

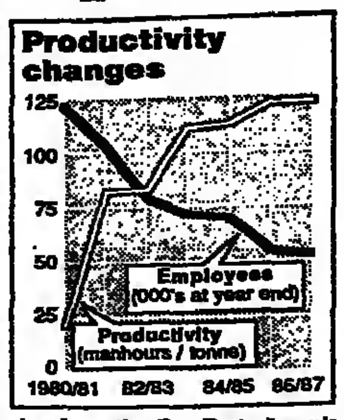
Next month, Sir Robert Scholey, Sir Ian's successor as chairman, will announce bottom line profits for the 12 months to March this year which are expected to be more than double the £190m made in the first six months. This compares with an accumulated loss of £7bn in seven of the 10 years before BSC emerged into profit in 1985.

This week the world's fourth largest steel company began a new round of publicity exercises designed to sell itself to institutions and the public.

As it heads for privatisation towards the end of the year, managers at BSC will be fielding questions on several fronts. How does it compare with its competitors? Will the factors that have contributed to its vastly improved performance still play in its favour?

Labour costs as a proportion of total costs have fallen from around 31 per cent at the turn of the decade to between 21 and 22 per cent now. Average man hours needed to make a tonne of steel have plummeted from 14.5 in 1980-81 to around six.

The gap has narrowed but not closed on the Far East. Japan's steel industry is on course to reduce its labour costs to around 16 per cent of total costs and has some plants operating at around 2.5 to 3 man hours per tonne. Labour costs in South Korea, with low-manned and low-paying plants, are around 10 per cent.



Companies such as Nippon Steel and Kawasaki in Japan have technological leads in linking systems in steel plants, process control and installation of equipment such as automatic testing probes.

At the moment Japan sells hardly any steel in Europe and a more meaningful comparison is with other European steel producers, BSC's main competitors.

BSC is now one of the most productive European companies, though the figure of six man hours per tonne is around the same as that of the West German steel industry, though Thyssen, the most efficient German producer, is almost certainly below that figure.

However, a number of European producers, including the recently merged Sacilor-Usinor group in France, are spending a lot on re-equipping, underlining the need for reinvestment at BSC of around £250m to £300m a year.

Sir Robert says that crude productivity measurements will become less relevant because they do not take account of the corporation's drive towards more value added products such as specially coated steels where margins can be many times greater than on basic steel products.

The corporation attributes its performance to several factors: restructuring and labour motivation, exchange rates and increased demand in the UK and elsewhere.

● Structure. The corporation has changed radically. At nationalisation in 1967 it made steel on 38 sites and this is now down to five. Since 1980, the management structure has been simplified and partly decentralised and a pay structure introduced with performance bonuses accounting for up to 18 per cent of an employee's pay.

The plant configuration will almost certainly change and shrink over the medium term. The survival of the strip mill at Ravenscraig in Scotland is only guaranteed until next year. The rest of the Ravenscraig plant has a guarantee for another six years or so "subject to market conditions."

In the long term, the successor company to the corporation will probably work towards reducing the five integrated plants to two or three.

● Exchange rates. The strength of the dollar and the fall in the D-Mark from more than four to the pound to around three in the past two years has contributed a substantial chunk to the corporation's improved profits.

About 38 per cent of BSC purchases are dollar-related. This represents a huge sum. The cost to the corporation of purchasing ferrous alloy, coal and iron ore last year was the equivalent of £1.25bn.

Corporation managers seem confident that the successor company could cope with some swing in currency. A sharp and sustained change, however, would reduce profits and almost certainly spark further rationalisation.

● Demand. The corporation sells 60 per cent of its output in the UK market where demand grew by between 8 and 10 per cent last year, according to Mr Martin Llowarch, the corporation's chief executive. UK demand is growing again this year but at a slower rate.

Sir Robert believes that growth in demand will slow further and price pressures increase in the market towards the end of this year. He says BSC is in as good a position as any European producer to cope with this.

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UK NEWS

Kinnock fails to win transport union backing

BY PHILIP BASSETT, MICHAEL CASSELL AND JOHN WYLES

MR NEIL KINNOCK, the opposition Labour Party leader, yesterday received a considerable blow to his bid to reform party policy when leader of the Transport and General Workers Union refused to nominate him for the forthcoming leadership contest.

At the heart of the union's refusal lay Mr Kinnock's changing policy stance towards nuclear weapons and nationalisation. The labour leader is both a member of the TGWU and is sponsored by it. It is the party's biggest member union.

Labour leaders tried last night to limit the damage to Mr Kinnock, who with incumbent deputy leader Mr Roy Hattersley is contesting a bid from Mr Tony Benn and Mr Eric Heffer for their respective posts. Mr John Prescott is also challenging for the deputy leadership.

However further division over the issue at the heart of the union's move looked likely when in Rome Mr Kinnock forecast that next year's Labour conference would approve a shift away from the party's current policy of unilateral nuclear disarmament.

The TGWU's 39-member executive was tightly divided over the recommendation by Mr Ron Todd, general secretary, that the union - whose 1.25m block vote is the largest at Labour's annual conference - should support Mr Roy Hattersley in the deputy leadership election always looked likely.

But left-wingers on the executive managed to win their preferred line that no decision should be made on either Mr Kinnock or Mr Hattersley's nomination. This was carried by 20 votes to 17, with two abstentions.

The vote sufficed to make unnecessary the left's fall-back option of opening issue for consultation among the union's members.

In recommending support for both Mr Kinnock and Mr Hattersley Mr Todd tried to keep separate the policy issues under consideration by Labour's review groups.

But left-wingers made clear the strong concern about the policy review's abandonment of Labour's long-standing nationalisation policy in favour of public interest companies, and Mr Kinnock's shift earlier this week away from Labour's present policy of unilateral nuclear disarmament.

Before the executive reconsiders the nomination question at its next meeting in September, the union's leaders will press for clarification of the two issues, and other smaller reservations about the policy reviews.

Speaking yesterday in Rome, where he is attending a meeting of European Community socialist leaders, Mr Kinnock repeated his argument that it was worth throwing the Trident missile programme into the negotiations instead of giving "something for nothing". He said that this would lead Britain into direct negotiations with Moscow on trading the withdrawal of Trident in return for equivalent Soviet missile reductions.

Even so, a form of words may still be found to satisfy the TGWU executive on the issue. But a solution on the issue of Labour's shift on nationalisation may be less easy to find.

While the executive still seems certain eventually to nominate Mr Kinnock to the union's Labour Party conference delegation, which will make the final decision on the TGWU's support, unless it receives satisfactory assurances on nuclear weapons and especially nationalisation, the executive may refuse to nominate Mr Hattersley.

Since many other unions tend to be influenced by the TGWU, this may place Mr Hattersley's deputy leadership chances in considerable doubt - particularly if the TGWU's Labour conference delegation decided independently to back Mr Prescott, his principal challenger.

Some senior party figures were acknowledging that Mr Kinnock may have made a serious error in professing his views on defence before the union executive's meeting.

Neil Kinnock: policy shifts

Business Expansion Scheme is criticised

By Charles Batchelor and Vanessa Houlder

THE BUSINESS Expansion Scheme, launched by the Government in 1983, has largely failed in its main purpose of providing capital for small companies, according to a report published yesterday by the Small Business Trust.

It says that although the amount of finance raised by companies through the BES - £410m in the three years 1983/84 to 1985/86 - has been similar to the sums raised in other forms of venture capital, the take-up rate has been low compared with other government schemes intended to help the small business sector, such as the loan guarantee scheme.

BES provides tax breaks for people investing over five years in qualifying small companies. There are three main methods: through prospectus issues, which have typically been used to raise amounts of more than £500,000 for individual companies; through funds which spread their investments over several companies; and through direct investment in individual companies.

The report argues that there is still an "equity gap" between £100,000 and £500,000 which BES has largely failed to fill. The popularity of prospectus issues has meant that companies seeking smaller amounts of money through BES funds have been squeezed out. Companies seeking less than £100,000 have fared better by persuading individuals to make direct investments.

Hopes that the scheme would assist high-risk businesses have also not been met, with most of the funds raised going to service sector businesses, often asset-related and predominantly in the wholesale, retail, property and leisure sectors.

The proportion of total finance invested in manufacturing has declined from about a third in 1983/84 to less than a quarter in 1985/86.

The report's authors call for BES funds to be made more attractive relative to prospectus issues; for the establishment of financial "marriage bureaux" to encourage more direct investment by individuals; and for tax reliefs to be extended to people who become directors of BES funded companies.

Closing the Equity Gap? An Assessment of the Business Expansion Scheme by Colin Mason, John Harrison and Richard Harrison. Published by the Small Business Research Trust. £25.

Edwina's army marches on high-fibre diet

BY LISA WOOD

"IF YOU can satisfy squaddies, you can satisfy anybody," says Mrs Edwina Currie, Junior Health Minister.

The way to do it, according to Mrs Currie, is to feed them passion cake, aduki bean soup and aubergine bake.

British soldiers were among the guinea pigs for a new 251 recipe file, launched by Mrs Currie yesterday, for use in well-known eating establishments such as hospitals, schools and residential homes.

The squaddies, said Mrs Currie - hovering over a passion cake elegantly prepared by private caterers - thought the recipes were "smashing" and had no idea that they were eating a low-fat version of their favourite hamburgers.

Not that Mrs Currie, then eyeing a piece of sticky prune cake (energy 175kcal, fat 3.8g and fibre 3.2g per portion) wanted to launch a national diet.

Rather, she said the recipes, prepared by a DHSS working party and available in White Paper at Her Majesty's Stationery Offices, would provide practical help to caterers wanting to offer healthy, attractive and tasty dishes.

Mrs Currie, who has criticised the "fish and chips" diet of Northerners, was asked if the new recipes should be used particularly in the North.

"This entire nation has levels of heart disease that are among the highest in the world," she said. "We have nothing to be proud of about our national diet."

Asked what was different in the new recipe book from its predecessor, she said the recipes contained much more fibre, the fats were unsaturated and if flour was used it was often a mixture of white and wholemeal.

"Good food does not need to be expensive," said the Junior Health Minister, delicately peeling a grape.

Asked whether or not people should not be free to eat themselves into an early grave if they wanted to, she got down to the nitty gritty. Illnesses attributed to poor lifestyles cost the NHS a lot of money, she said. In addition, people when they keeled over said they wished they had been warned.

It is not just the recipes that have been designed to promote a healthier and longer life. A senior member of the working party confided that the reason for the recipes being contained on laminated cards was that too-well-thumbed hospital recipe books had been condemned by environmental health inspectors as health hazards in themselves.

Birmingham's windfall is not all it seems, writes **Richard Tomkins**

EC aid package could be a let down

IT SEEMS like all its birthdays and Christmases rolled into one when Birmingham learned this week that it was to receive £203m in grants and loans over the next five years under a new European Community programme.

The sum is the largest single tranche of EC assistance yet awarded in the UK. It will contribute towards a total of $446m to be spent between 1987 and 1991 on improving Birmingham's infrastructure and regenerating the local economy.

But the city fathers are not yet giving out orders for the streets to be repaved with gold. Like most emanations from Brussels, the grant announcement is not quite as straightforward as it seems, and the £203m purse has strings attached.

The programme now swinging into action in Birmingham is a new EC creation known as an Integrated Development Operation or IDO. The system was introduced as part of the EC budgetary and regional aid reforms agreed at the February meeting of Community leaders.

The aim is to improve the effectiveness of the aid available and improve planning capacity. Under it EC social and regional assistance is no longer to be handed out year-by-year and project-by-project. Instead, plans spanning a number of years are drawn up for specific areas, and European funds are combined with local sources of finance to produce a co-ordinated strategy for regeneration.

Although preceded by pilot programmes in Naples and Belfast, the Birmingham scheme - drawn up by the city council - is the first fully-fledged IDO to be approved. Four bids from northern England have also been submitted, and a total of 11 are planned in the UK.

BIRMINGHAM I.D.O. (£m)

	EC grant allocation	Planned spend
Birmingham City Council	125	280
Severn Trent Water Authority	29	64
Private sector	20	40
Manpower Services Commission	12	23
British Rail	8	19
W.Midlands Passenger Transport Exec.	4	10
Midlands Electricity Board	4	8
British Waterways Board	1	2
Total	203	446

The basic strategy underlying Birmingham's plan is to reduce unemployment by diversifying the city's traditional economic base. Special emphasis is to be put on the service sector, tourism, high-technology industries, small businesses and training.

The IDO consists of six linked programmes: economic action, communications, environment, tourism, business development and manpower. In each area, EC aid is being harnessed with funds from local bodies - notably Birmingham City Council, but also public utilities and others - to improve the infrastructure and environment.

For example, the economic development programme includes the reclamation of derelict land to provide greenfield sites for small industrial starter units, new electricity supplies laid on to meet the city's growing demands, the replacement or repair of 230 miles of water mains, and the extension of Aston Science Park with another 30,000 sq ft of new venture units.

The communications programme will provide for new roads in inner city areas of Aston and Nechells, the completion of the middle ring road, the "sinking" below surface level of part of the inner ring road, improvements to the city's New Street railway station and a feasibility study into the proposed Midland Metro rapid transit railway.

The environment programme is much concerned with Birmingham's image, consisting of many small-scale landscaping schemes, the refurbishment of run-down shops in the Handsworth district (one of the most dilapidated in Birmingham), and improvements to the appearance of land and buildings adjoining the main roads and railways

The tourism element of the plan, for its part, includes provision for a heritage museum in the city centre and an extension to the National Exhibition Centre, while business development is concerned mainly with schemes to provide advice to small businesses, and the manpower programme consists primarily of training.

Although approval of the IDO is undoubtedly a welcome boost for Birmingham, there are several reasons why it is not quite the bonanza it appears.

For example, it is not the case that every pound made over by the EC will find its way into extra investment in Birmingham. Most of the money is going to Birmingham City Council, which like other local authorities is subject to central government constraints on its level of capital spending.

The grants will therefore make it easier for Birmingham to finance investment in the sense that they will relieve it of the burden of interest charges on borrowed capital, but they will not increase the total level of capital spending except in the unlikely event that the Government increases the city's capital allocation by an equivalent sum.

A related criticism is that many of the schemes incorporated into the IDO - and their accompanying EC grants - are not new at all, but simply existing plans rolled up into a new category. It is unlikely, for example, that Birmingham's middle ring road would never be completed, or that the NEC extension would be abandoned, were it not for the IDO.

The EC is not in any case proposing to ship out £203m in cash to Birmingham tomorrow. The figure is a maximum sum which the European Commission has agreed in principle to make available over the next five years, and the actual amounts will still have to be decided on a case-by-case basis. Some £44m of the £203m will be in the form of loans, not grants, and may not necessarily carry better terms than those available in the UK.

To the cynic, then, the main beneficiary of the creation of the IDO is the network of bureaucracy stretching from Birmingham to Brussels via Whitehall rather than Birmingham itself. But that may be too harsh a verdict: at the very least the plan gives the city an unprecedented degree of certainty about the amount of EC aid it can expect over the next five years and has enabled it to draw up an enviable strategy for regeneration.

Home video recordings face 28-day time limit

By Charles Hodgson

TELEVISION viewers who record television programmes on video tape must watch them and then wipe the tape clean within 28 days. Otherwise they will be breaking the law under new measures introduced by the Government yesterday.

The measures, introduced into the new Copyright, Designs and Patents Bill, seek to regulate the practice of taping programmes to be watched later, which is currently illegal but widespread. Tapes would have to be wiped clean after the time limit, preventing viewers from building up home video libraries.

Mr Francis Maude, the Consumer Affairs Minister, told the parliamentary committee considering the Bill that the move was designed to balance the interests of copyright owners and consumers.

Mr Maude said that the present system, under which home video taping is illegal, was "absurd" but that simply legalising home taping for private purposes would breach the international Berne Convention on copyright. He conceded that the measures would be difficult to enforce, but said people could be trusted to comply with a "reasonable law". Video taping for commercial purposes would remain illegal.

The Copyright, Designs and Patents Bill will update existing legislation on copyright, dating back to 1956, and bring it into line with international agreements.

The 28 day time limit was scathingly crictised by opposition MPs. Mr Tony Blair, the Labour Party spokesman on consumer affairs, said that the government was "legislating an absurdity".

Mr Blair said that the government was being inconsistent in opposing a Labour proposal that a levy be charged under the Bill on blank audio tape, yet seeking to regulate home video-taping. Labour had suggested introducing a similar levy on video tapes.

"This indicates that the government is being wholly inconsistent in the way it treats different parts of copyright and has become dangerously adrift from its own White Paper," he said. The White Paper had concluded that there was no practical way of enforcing restrictions on home taping.

Mr Austin Mitchell, opposition trade and industry spokesman, suggested that tapes might be sold that "automatically explode" 28 days after they had been first used to ensure compliance with the law.

Problems in utility regulations outlined

BY MAX WILKINSON, RESOURCES EDITOR

REGULATING the big privatised utilities will prove more difficult and more complex than many have expected, say two Oxford economists in a paper published yesterday.

Dr Dieter Helm and Professor George Yarrow say the apparent simplicity of the Government's formula for limiting price increases is "largely illusory."

They believe that regulatory bodies will eventually be obliged to appraise the industry under their control in as much detail as occurs in the US.

When British Telecom was privatised in 1984 the Government established a formula which subtracts X from the retail price index to limit future price increases. X was given the value of 3, so BT's maximum price rises must be 3 percentage points less than the rate of inflation in any year.

A similar formula was applied to British Gas. The electricity industry is expected to be regulated in the same way after privatisation.

The idea was to eliminate many of the complexities of US regulation. US prices are set to provide utilities with a guaranteed rate of return on capital. This requires regulators to make a detailed appraisal of "reasonable" costs and of "prudent" investments. The resulting arguments often lead to protracted court hearings.

In the latest issue of the Oxford Review of Economic Policy, Helm and Yarrow say it is wrong to believe that the British system of regulation differs fundamentally from that in the US. "Nearly all operational schemes for regulating utilities rest on one or other form of price control," they say.

They point out that the "X" factor in the price index minus X formula will have to be reset periodically and that this must be done in relation to the costs, profit and investment of the utility. Regulators will also need to take account of the quality of service provided.

May Retail sales pick up amid caution over future

BY RALPH ATKINS

BRITAIN's retail sales picked up in May but there is some caution about future months, according to the Confederation of British Industry/Financial Times distributive trade survey published yesterday.

The strong rise in sales last month - which was only slightly below retailers expectations - followed a disappointing level of sales in April. Retailers, however, expect sales growth to slow in June.

The survey shows that of the 244 retailers questioned, 68 per cent said sales were higher in May than the same month a year before and 9 per cent reported a fall.

The balance of those reporting an increase, less those noting a fall, was +57 per cent. That compared with an exceptionally low balance of +31 per cent in April and +40 per cent in March.

Mr Nigel Whittaker, chairman of the survey panel, said the survey pointed to a steadier rate of growth in June compared with the steep rises reported in the autumn.

Retail sales growth in the past year has been fuelled largely by strong growth in real earnings. Tax cuts announced in the budget are expected to increase sales further in coming months.

Mr Whittaker said, however, that possible rises in mortgage rates following recent rises in base interest rates were "a reason for caution."

He said retailers were becoming more realistic in forming expectations about future sales. They recognised a lot of extra retailing space is coming on stream - increasing competitive pressures - and that costs are rising.

"Competitive pressures are still strong in the retail sector and this is reflected in a slowdown in the rate of price increases, which is expected to continue," he said.

In May, retailers reported that imports as a proportion of deliveries was growing faster than when the question was last asked in February. A balance of +7 per cent said import penetration in May was higher than a year before compared with +5 per cent in February.

However, there was a slowdown in the rate of increase of selling prices.

THE PROPERTY MARKET

The London office market moves West

By William Cochrane

"THE CITY MARKET is nearly dead, long live Central London!" Property men, past masters at accentuating the positive, are getting the adrenalin going again. There is, apparently, a possibility of top West End office rents overtaking those in an oversupplied City of London.

These are bearish prospects for the City. Demand for office property in the Square Mile has not suffered much in the aftermath of last October's stock market crash, although brokers James Capel have decided not to acquire phase 7 of Broadgate and there is also some evidence of increasing volumes of space being sublet by major occupiers. But supply is rising and by the end of April, according to agents Debenham Tewson & Chinnocks, the supply of City office property had topped 2m sq ft, almost double the 1987 average of 1.2m sq ft.

In conjunction with that, trading volume remains stubbornly low on the London Stock Exchange and observers such as Geoff Marsh's APR feel that this will affect the space requirements of occupiers generally linked with City offices. Big space users who are less affected, they say, such as solicitors and accountants, may also feel less circumscribed about location.

So the property industry is approaching mid-summer's day with the focus squarely on the West End, Holborn and Covent Garden markets. In mid-May it was rumoured that Saatchi & Saatchi would take Legal & General's Landsdowne House development, 150,000 of new space in the coveted Berkeley Square location, for £62.50 a square foot; for the record, the top rumour in the City has been £67, for 64 Cornhill.

New space on this scale is extremely rare in the West End. Old space must be less so, for Saatchi director Michael Dobbs says that the company has looked at 40 potential headquarters already, and that it has yet to make a decision on one of them.

However, for the new generation of big space occupiers, the right space at the right price is going to be hard to find south of Oxford Street; and Stuart Lipton of Stanhope thinks he could happily let the 7¼m sq ft of office space planned for the Kings Cross redevelopment to large space users like accountancy firms, which will not want to pay inflated West End, or City of London levels.

This week, the spotlight widened to take in Holborn and Covent Garden. Great Portland Estates, chaired by Richard Peskin and converted in recent years from takeover target to performance stock, saw its Holborn and Covent Garden properties rise by 55 per cent in value in the year to March 31 last. Great Portland's West End and Mayfair properties, however, ran a close second with a 52 per cent gain.

The shortage of supply is likely to be exacerbated by Westminster Council's policy of returning properties to residential use. These include Brook House, Park Lane, headquarters of MEPC, Britain's second biggest property company, which has tried and failed to get continued office use for the building with an abortive appeal to Environment Secretary Nicholas Ridley.

About 100 mansions in Mayfair were given temporary office permission after the war to help bombed-out businesses. Westminster has been insistent that they would revert to residential when those permissions ran out in 1990.

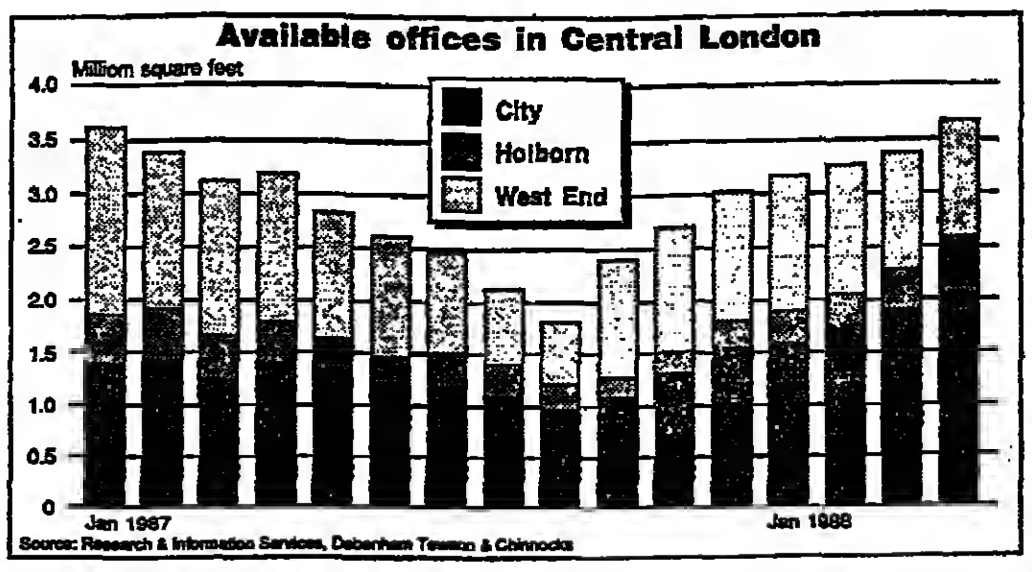
Debenham Tewson associate Andy Allen acted for one of the main landlords, the BP Pension Fund and its Ropemaker Estate. He negotiated a deal whereby only a proportion of its space, which is on 30 acres of Mayfair and mostly to the west of Berkeley Square, will revert. The firm's analysts, research boss Peter Evans and his colleague Desmond Jarrett, think that if a line were drawn through that deal for the other landlords, most importantly the Duke of Westminster's Grosvenor Estate, then perhaps ½m sq ft of prime office space would now be at serious risk.

This is not a lot of space, they say, calculating that it represents three months' takeup in the West End sector. However, marginal demand affects rents in a tight market and existing tenants must be getting seriously concerned about any upcoming lease renewal negotiations. West End rents have climbed from about £35 in the past 18 months; and, Landsdowne House apart, there has been talk of rents of £60 or more in Berkeley Square House, which is refurbished space rather than new.

Philip Fenwick Elliott may be able to put a mind or two at rest - or, at least, to offer tenants a way to fight their cases. His fancy, and that of his clients, the long established advertising agency J Walter Thompson, has been taken by the Saatchi affair. Their interest is heightened, he says, by the fact that he has just finished negotiating, for JWT, a five-yearly rent review for its headquarters of long standing at 40 Berkeley Square at - £25.50 a foot. And the landlord, Norwich Union, is no slouch in this game.

The secret, he says, is that JWT is on a fully self-repairing lease. The rent review negotiations, therefore, did not include the benefit of JWT's own improvements to the premises over the years.

"There is a very interesting relationship between reviewed rents and the new lettings market," says Mr Fenwick Elliott, clearly choosing his words with care. "The number of new letting deals done in the West End has been so few that it can be difficult to persuade tenants that their rents have been correctly and fairly based."



Source: Research & Information Services, Debenham Tewson & Chinnocks

The rise of Rosehaugh

ROSEHAUGH, a kingpin in Central London office development and a leader in the modern wave of development-rich property companies, has acquired its own research arm by taking a majority holding in Applied Property Research. APR is a privately-owned, and highly regarded consultancy and database operation set up in 1984 by Geoff Marsh, a former Jones Lang Wootton researcher.

Mr Jonathan Hallam, a director of Rosehaugh, said this week that the company set great store by the ability to gather and evaluate information.

Rosehaugh, with its partner Stanhope Properties, has been a prime mover in the £2bn Broadgate development at Liverpool Street Station in the City of London, and the Rosehaugh Stanhope joint venture has had the twin coups of selection for the £500m Royal Docks project in London's East End and the £6bn King's Cross redevelopment.

With APR, it has now acquired one of the prime sources of information on the Central London office market – and, if Mr Marsh has his way, several others.

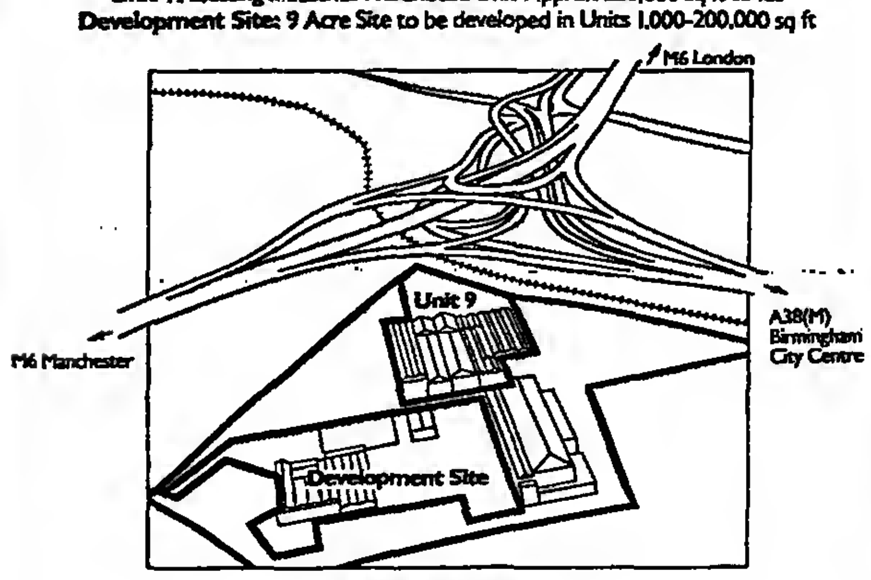
Geoff Marsh set up CLOR, a Central London Office Research operation, for chartered surveyors Jones Lang Wootton, as well as doing original decentralisation work for the firm. He left JLW in 1984 to set up APR which, he said yesterday, would have had to slow down its rate of growth considerably if it had continued to go it alone.

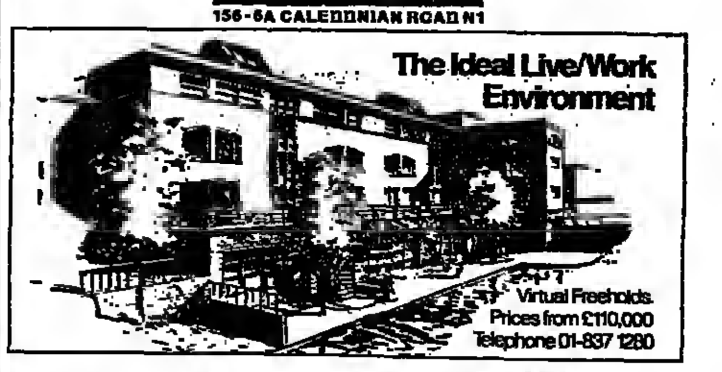
Since 1984, the Central London development market has boomed, fuelled by advances in information technology and the City of London's Big Bang. It has also changed character considerably, particularly after the stock market crash last October, and APR might need the Rosehaugh connection in future to get the quality of information it wants.

"We are only 12 or 13 researchers strong at APR – and we are doers, not managers," said Mr Marsh. "We also felt," he added, "that we needed to expand the database geographically. On top of that, there is only so much you can do as an outsider in the property business."

He had several offers to acquire the business, he said. Rosehaugh won because it was: "very straightforward; decisive; and because it has a commitment to detail and to quality."

His verdict on Central London? A report last month from APR saw the City Fringe and Docklands as vulnerable to oversupply; but, it said, "the West End, with its highly diverse occupier base and very limited supply pipeline, looks likely to remain buoyant."





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FINANCIAL TIMES

SURVEY

Better infrastructure, particularly roads, Stansted airport's expansion and EC trade are bringing higher growth and prosperity to Essex. But, reports **Richard Evans**, the county wants to ensure the pressures of growth do not destroy its still excellent quality of life

Alan Harper

Holidaymakers setting out for a stroll on one of Essex's most famous landmarks, Southend pier - the longest pier in the world

ESSEX

CONTENTS

A precarious balancing act

ESSEX IS a county with a problem that many others will envy. It is the problem of success. For decades the county seemed to be left behind in the strides made by areas to the west, north and south of London following the building of motorways and the launching of modern high technology industries. The east was bypassed.

All that is now changing fast and Essex has to take account of the changes and decide how it should cope with the pressures that success brings.

The fundamental problem is how to perform a precarious balancing act, to match growth and prosperity on the one hand against preservation of the county's still excellent quality of life.

Mr Robert Adcock, Essex County Council's chief executive, sees big advantages in coming late into the field. He is anxious that Essex should learn from the experiences of counties like Berkshire, Hertfordshire, Hampshire and Surrey where development has rushed ahead and some mistakes inevitably made.

"We must ensure that the county retains its unique character while attracting new industries and more employment," he says.

The reasons for the county's dramatic change of circumstance are many and varied, but the three key developments have been vastly improved infrastructure, particularly roads, the development of Stansted as London's third airport, and the switch in port activity from Britain's west coast to the east to take account of increasing trade with the European Community.

These three, with others like the regeneration of London's docklands, has brought Essex to a series of crossroads involving decisions on how it should develop over the next decade and beyond.

The South East region as a whole has shown rapid growth in recent years, hnt the fastest growth of all has been in East Anglia. Essex occupies the pivotal position between Greater London and this area of particularly buoyant economic activity.

It is a strategic position of the greatest significance and the economic pressures on the area show every sign of growing as Greater London continues to decentralise employment and the UK's orientation towards Europe grows steadily.

It is the rapidly improving communications that have provided the key to the county's fortunes during a period when links with Europe have been of paramount importance.

Essex has become the gateway to Europe, and its share of central government road funds has risen dramatically in recent years. Five years ago it was in 15th place among the 39 shire counties; last year it was top of the league table. Central government transport planners, are giving Essex a very high priority for future growth.

The M11, carving up from near London's docklands to Cambridge, has opened up the west of the county. But it is the M25, London's orbital motorway, that has profoundly changed many areas that might otherwise have remained unattractive to potential developers and employers. It has transformed the recession hit areas on the north bank of the Thames like Grays-Thurrock and linked the whole of Essex with the national motorway network.

Five improved roads cross the county to give excellent communications. Apart from the M11, the A12 now virtually of motorway standard links the London borders with East Anglia and bypasses Chelmsford, the county town.

In the south the A13 has been realigned and upgraded to near motorway standard to improve access to the Dartford tunnel and Tilbury docks, and South Essex is linked with London by the A127 Southend arterial road, a fast dual carriageway.

Other main routes are the A130 connecting South Essex with Chelmsford and the M11, and the cross country A120 which links Harwich, Colchester, Braintree and Stansted Airport to the M11 and routes to the industrial Midlands and the North. This route is one of the keys to future economic development and plans have been improved to make it all dual carriageway.

Nor have all the regional transport improvements heen restricted to major roads. In recent years substantial improvements have been made to British Rail Eastern Network Services by electrifying lines to Colchester, Cambridge and Norwich and by improving the quality and frequency of the services.

Road and rail routes have played a significant role in the development of ports at Harwich and Tilbury. Containerisation, pioneered in the 1960's, has given a dramatic boost to Harwich and Parkeston and in the last 20 years Parkeston has experienced a great expansion in car, passenger and container traffic to Europe.

One major problem as well as a challenge is the development of Stansted as London's third airport. The county was opposed to such substantial growth on environmental grounds but its objections were overruled by the Government.

Mr Peter Milton, the County's planner, said every effort is now being made to ensure the airport is a commercial success but not a social and environmental disaster.

The plan is for Stansted, just off the M11 and near the border with Hertfordshire, to handle around 8m passengers a year at the completion of its first phase of development in the early 1990's. It will ultimately rival Gatwick in size.

The implications for the local economy are vast and the county plan is to disburse the additional population as much as possible to Harlow, Dunmow and to Braintree as well as Bishop's Stortford and across the county boundary into Hertfordshire. Top priority is to preserve the character of the Essex villages.

A worry is that the construction and then the servicing of Stansted will soak up too much of what is already a tight labour market. Mr Leon Grice, chairman of the Confederation of British Industry's Essex hranch, fears that the high wages will unbalance the local labour market and make skilled labour particularly difficult to find and to keep.

Business in parts of the county is now hungry for labour after years in which the unemployment rate in Essex was significantly higher than in other parts of the South East. The county grew rapidly in 30 years from a population of just 800,000 in the early 1950's to its present total of over 1½m, but jobs did not keep pace.

Unemployment rates have now come down from 12 per cent three years ago, which was well above the regional average, to around 7 per cent, and the fall has been faster than in other parts of the South East.

The shortage of skilled labour is acute in areas like Chelmsford and Colchester where some high technology companies are based. With housing expensive and in short supply, Essex is in some ways already a victim of its own success.

So far the county has not succeeded in attracting high technology companies on anything like the scale of Berkshire, Hertfordshire or Cambridge but nevertheless the development of high tech industries is seen as a key to the future, and the county's first technology park has been opened at Chelmsford.

It aims to attract companies in electronics, precision engineering, pharmaceuticals and biochemistry to a town where the Marconi company, now part of GEC, made some of the earliest experiments in radio. The GEC-Marconi headquarters is still in Chelmsford.

To the north east at Colchester, the University of Essex has overcomc its turbulent reputation of the 1960's and is now regarded as one of the most effective links between the academic and research world and industry. A decision is expected soon on the setting up of a science park on a 14 acre site on the University campus.

This would act as a focal point to attract the type of high growth, high tech company that now favours Cambridge and the M4 corridor.

Two academics from Reading University, Michael Breheny and Douglas Hart recently conducted a study for Colchester Borough Council on how it should plan for the future. They concluded that the designation of a well thought out science park could itself cause growth in high technology to take place, as has happened at Camhridge.

There are in addition several initiatives in Essex to improve links between higher education and industry, and the County Council has set up a successful Business Centre to help small and new businesses develop.

Essex is in an enviable position between the great metropolis of London and the booming region of East Anglia. It has already seen rapid changes affecting every aspect of its economy and it has arguably the highest growth potential of any county in the UK. The next few years will show whether it is able to maintain its uniqne and complex character as well as its great environmental advantages.

The county's economy is on course for a decade of record growth

No longer the poor relation

THE 1980s are set to be a decade of record economic growth for Essex, after years of being considered the poor relation of the Home Counties.

Since the UK economy pulled out of recession, investment capital has been pouring into the county. The main reasons why Essex has been attracting so much private investment are the completion of the M25 Orbital Motorway and the M11 motorway from London to Cambridge, the decision to develop Stansted as London's third airport, and the remarkable growth of the East coast ports, with their direct links into Europe. *The absence of* sophisticated transport and communications links that previously held back economic development have been corrected.

Manufacturing has remained more important to the economy in Essex than in most other counties in the South East, despite the severe impact of the recession on industry along the Thames. Over a quarter of the county's 530,000 work force are employed in industry or commerce. Engineering is particularly strong, with electrical and electronic engineering employing 20 per cent of those working in manufacturing industry, and mechanical engineering 16 per cent.

Other industries well represented are paper, printing and publishing, food and drink, vehicles and chemicals. Although the recession hit some industries like cement hard, the county has a low proportion of declining industries, like metal manufacturing and textiles.

Apart from the county council, Ford is the county's biggest employer, even though its largest plant, at Dagenham, is now in Greater London and outside the county boundary. It still has many plants in Essex, though, including Basildon, the research and engineering centre at Dunton and the administration centre for Ford of Britain and Ford of Europe at Warley.

Other major employers are Shell, Mobil and Texaco in a flourishing petrochemicals sector and GEC-Marconi, STC and Plessey spear-heading an increasingly-significant high technology presence.

Service industries have also thrived because of the improvement in communications; Essex has been one of the main beneficiaries of the relocation of staff from central London.

Access, the credit card company, has its headquarters in Southend and a second centre has been set up at Basildon to help handle future business growth. Royal London Mutual Insurance is one of a number of financial services companies that have moved to Colchester.

Bnt it is probably the smaller and newer companies that are making the biggest impact on the economy of the county, according to Mr Michael Large, chairman of the Essex branch of the Institute of Directors. "There has been a remarkable upsurge of small businesses recently and this is helping to make the county boom," he says.

Until recently, unemployment in Essex was higher than in the rest of the South East, but this has started to change. Between January and 1987 and March this year, the number of unemployed dropped from 61,000 to 45,000, a fall of 37 per cent, a proportionately bigger fall than elsewhere in the South East.

But one barrier to reducing levels of unemployment further is the shortage of certain skills, according to Mr Leon Grice, chairman of the Confederation of British Industry's Essex group. "The shortage of skills is becoming significant and it sometimes takes weeks to fill a vacancy," he says.

Essex can be divided economically into four zones: the heavily industrialised corridor along the north bank of the Thames, the centre of the county represented by thriving towns like Harlow, Braintree, Colchester and Chelmsford, the county town; the more rural north, and the coast with the thriving ports of Harwich and Parkeston and resorts like Southend and Clacton.

It is the industrial heartland bordering the Thames that has seen the biggest changes in recent years, first with the decline of traditional industries and the sharp impact of the recession and more recently with the development of modern industrial estates.

Right in the centre of development is Thurrock which has seen a spectacular resurgence in the last two years, largely because of completion of the M25. It has been labelled "Britain's busiest borough".

Developments include a new town of 5,000 homes, Chafford Hundred, being built on 600 acres of disused mineral workings, Thurrock Bridge which will carry the southbound flow of the M25 over to Kent, and the Lakeside regional shopping centre which will open in 1990 with over 1.1m sq ft of retail space.

Over 800 acres of industrial land is available for immediate development in Essex, according to the county council's 1988 survey, and by far the largest amount, nearly 250 acres, is in Thurrock.

Basildon, just a few minutes away from the M25, has over 100 acres ready for development. A further 700 acres throughout the county is likely to become available later in the year.

Basildon vies with Thurrock in claiming to be the fastest-growing town in Essex and, apart from the established presence of companies like Ford, GEC Avionics, ITT and Access, offices have recently been let to the Commercial Union Insurance Group.

To the north lies the central belt of the county which was relatively unaffected by the recession, but where the pressures of development are now becoming acute. The area, centred on Chelmsford and Colchester, is booming.

Chelmsford, the county town that has become too small for a county population of one and a half million, is an important engineering and technological centre. It is headquarters for the GEC-Marconi electronics group and another GEC company, the English Electric Valve Company, is also a major employer.

Colchester, said to be the oldest recorded town in Britain, is a major garrison centre and the home of the University of Essex at Wivenhoe Park. The historic town has attracted major office employers like Lloyd's of London Press, Royal London Mutual Insurance and Philips Business Systems.

To the north, the county is still dominated by agriculture. The farms of Essex with their rolling wheatlands and sugar beet fields are among the most productive in the country, but the agricultural surpluses in Europe have caused problems of over-production and the search for alternative crops.

Tourism is something of a problem for the coastal resorts of the county. It has traditionally been the mainstay of the local economy, particularly for Southend, Clacton and Frinton, but patterns have changed. The days when the resorts of Essex were the most popular boliday destinations for Londoners have long gone, and the emphasis has changed to day trips and short stays.

Both Southend and Clacton have made vigorous attempts to extend their economic base by attracting service companies and light industry, and employment elsewhere on the coast has been helped by the trading boom in the ports of Harwich and Parkeston and at Tilbury

Richard Evans

Testing at the Ford Emmissions Laboratory at Dunton: Ford is the county's largest industrial employer

Profile: Access

A business which has mushroomed

FOR MANY of us, the Access card is all too flexible a friend. In e shop or a restaurant, it kindly allows the indigent consumer to buy beyond his or her means with only a frisson of guilt.

But, some weeks later, Access gets its own back with the statement, chronicling each purchase made in a moment of weakness, the brown envelope, the mountain of unwanted promotional literature and the gift, to you as an especially valued customer, of an even higher credit limit.

Those not sent into shock by the size of the bill may observe that the envelope, and the cheque that it must enclose, are to be sent to Southend-on-Sea, where Access has made its home since it was founded in 1972.

The Southend skyline is dominated by the skyscrapers that house the 4,500 employees whose job it is not only to open and process the 300m *items* of post received each year, but also to deal with the 27m calls received annually from retailers requesting authorisation for customer transactions.

Access, Southend's biggest employer, is the joint credit card sarvice of Lloyds, Midiand, National Westminster Banks, the Royal Bank of Scotland, Clydesdale, Northern and Ulster Banks, National Irish Bank and Bank of Ireland.

Each of these banks is responsible for recruiting its own cardholders and for financing the balances outstanding on cardholder acconnts. Access – known more formally as the Joint Credit Card Company, or JCCC – provides the central services of marketing, promotion, advertising, authorisation and computing.

When first launched, five years after Barclays pioneered its Barclaycard under the aegis of the Visa organisation, Access employed only 400-500 staff and the card itself was accepted in just 70,000 retail outlets.

According to Mr A Lee, Access chief executive, Southend was chosen as headquarters for the business for the following reasons: its proximity to London; the proliferation of suitable accommodation nearby and the existence of a pool of clerical workers in the area.

The local telephone exchange *and post office* were *also geared* up to cope with the voluminous quantity of phone-calls and mail that Access would attract.

Over tbe sixteen years, the business has mushroomed. Some 300,000 UK retailers accept the card. Turnover – in terms of the total liabilities incurred by cardholders – was £8.3bn in 1987, having grown at annual rate of 30 per cent over recent years. There are now some 12m cardholders.

The organisation makes money not by charging interest to the cardholders – that is the prerogative of the member banks – by *by billing retailers for* using the service and allowing direct mail companies to "ride pillion" in the monthly statements to customers.

Access is optimistic that the spectacular rate of growth in its business will *continue, citing the* fact that in the UK, only 1 in 3 adults possesses a credit card, compared to 9 in 10 in the US.

Yet it will not be easy. Access, with around 49 per cent of the UK merket, is bound to face increasing competition, not *least* from Visa, with around 13m card holders and 51 per cent of the UK. But also from new entrants to the market, and on the basis of the interest rate charged to cardholders.

On tbe first count, building societies sucb as the Abbey National and the Halifax have signed up with Visa and are poised to market their own cards to their loyal customers. Even the trade union movement is now *involved*, with the G and B general union is set introduce a card, to its members.

In the years since Access was launched, there have only been a dozen changes in the rate of interest charged to customers. This might change after the Monopolies and Mergers Commission, currently investigating the issue, reports its findings.

The rate charged by a majority of the banks is a straight 2 per cent per month, whicb works out at an annual percentage rate of 23.1 per cent. It is up to the individual banks to change the rate. *Save & Prosper and Chase Man*hattan have already dropped their charges in what may prove to be the start of a price war.

David Waller

The pretty village of Finchingfield: pressures of development in parts of rural Essex are now acute

Profile: Hi-Tec

Market runner

NEXT TUESDAY, the Southend-based company, Hi-Tec will join the the stock-market. Amid all the *panoply of* an *offer* for sale, the running shoes company is likely to secure a market capitalisation of more than £50m.

This is all a far cry from the company's origins thirteen years ago in Mr Fritz Van Wezel's house in Shoeburyness. Then aged 32, the present chairman started up with a neighbour working as his accountant and two lads from across the road working as packers.

Now, the company sells more sports shoes in the UK than any *of its rivals, commanding just* under a *quarter* of the market. It sells shoes in 200 different styles and exports to 45 countries. Its squash shoe alone *has* sold more than 5m pairs and is worn by champions. Turnover has risen rapidly to boot, from £8m in 1982 to £50m in the last financial year.

in its earliest days, Hi-Tec was known as Inter, a separate UK company named after Inter in the Netherlands. The Dutch company was owned by a friend of the cbairman who subsequently decided to sell out.

That was in 1982, and posed a major problem for Mr Van Wezel. His erstwhile friend retained the right to the Inter name in Taiwan, where most of the shoes were manufactured and was in a position to charge a 3 per cent royalty on every pair of shoes sold in the UK.

The chairman's response was to relaunch as Hi-Tec, and he did so with sucb success that his endeavours bave inspired a case study at Harvard Bnsinass School. The first step was to send out the same shoes as normal but with the label changed from Inter to Hi-Tec by Inter.

As brand recognition developed, the "by Inter" signature was dropped and within a year the metamorphosis was complete. *At the same time*, the company made moves to hoist itself up-market.

Helped by J.Walter Thompson, the advertising agency, Hi-Tec unleashed an assault on the market for running shoes. The aim was to repeat its success in the market for squash shoes, which Hi-Tec dominates witb annual worldwide sales of more than 750,000.

The Silver Shadow, first introduced in 1981, was relaunched in the following year with the help *of TV commercials and posters*. The campaign won an award from the Institute of Marketing and acted as a catalyst for the company's sprint for growth.

"The secret of our success lies in our marketing", observes Mr Mario Aresti, finance director. "We have a powerful brand image backed up by advertising and sponsorship".

Colours and *designs* ara changed frequently in line with the demands of ever more fashion conscious customers. This adds a *further competitive edge* to shoes which sell in the £15 to £40 price bracket.

In June last year, Hi-Tec moved its beadquarters from Shoeburyness to a 75,000 square feet warehousing and office site near Southend airport.

Next week's flotation will furnish the company with cash to expand into other related areas such as sports accessories. The main thrust of expansion, however, will be in the US market, its ultimate aim being to become a world leader among sports footwear companies.

David Waller

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Kevin Brown, Transport Correspondent, explains how the county has benefitted from a shift in trade patterns

EC and container revolution boost ports growth

THE PORTS of Essex have benefitted greatly over the last 15 years from the swing in British trade away from the Commonwealth and towards the continental European Community.

Essex is not alone in benefitting from this trend - the biggest gainer has probably been Felixstowe, just up the coast in Suffolk, and there has been a substantial increase in trade through more northerly ports such as Hull and Immingham.

The two main Essex ports have been far from left out of the spoils, however, and the authorities at both are planning major investment programmes in a bid to expand their market share still further.

The biggest port in the county is Tilbury, which handles around 6m tons of cargo every year. This represents the bulk of the non-oil traffic processed by the Port of London, which amounted to just over 10m tonnes in 1986, the last year for which official figures are available.

Tilbury has undergone spectacular growth in the last 20 years as London's upriver docks first declined and then virtually disappeared as a result of changes in cargo handling methods.

The result was that the centre of London's port activity moved eastwards to deep water facilities built at Tilbury to accommodate the new breed of container ships which was taking over from the general cargo vessels which had traded into London for centuries.

Tilbury has the advantages of being close to the London consumer market, and connected to Europe and the rest of the UK by the M25 motorway and British Rail's Freightliner network, which operates a terminal within the port.

Tilbury has the largest forest products terminal in the UK, and one of the largest import/export grain facilities. It is also second only to Felixtowe as a container port.

Tilbury also houses the Port of London's international cruise terminal, which handles around 100 ships a year. The PLA has plans to improve its up-river cruise ship facilities, in order to attract more ships to moorings at Tower Bridge and Greenwich, but this is not expected to reduce business at Tilbury.

The PLA is, in the course of a £5m improvement programme at Tilbury, intending to extend cargo handling facilities and update equipment in order to keep up in the race to attract shipping.

The other major Essex port is Harwich Parkeston Quay, owned by Sealink Harbours, a division of the Bermuda-based Sea Containers Corporation.

Only 18 months ago, the future looked less than rosy for Harwich, following the withdrawal by British Rail of its Freightliner service to Zeebrugge, which was moved to Dover.

The loss of business followed a decline in container and roll-on roll-off traffic from 3.6m tonnes to 2.6m tonnes between 1985 and 1986, and was one of the reasons behind Sea Containers' decision to put the port up for sale – along with Heysham and Newhaven – *during a financial crisis* in the parent company.

In the event, talks between Sea Containers and Associated British Ports, the UK's biggest port operator, broke down over price, and all three ports were taken off the market.

Since then, *Sea Containers* has recovered its financial equilibrium, and Mr James Sherwood, the company's president, says the group intends to hang on to all its ports, including Harwich.

Like Tilbury, Harwich boasts good access to the UK motorway network, although local road access *is less satisfactory.* Sea Containers is talking to Essex County Council, the highway authority, about possible improvements.

A major expansion is likely within the next two years, assuming that parliamentary approval is given to a private Bill currently passing through the Lords.

The Bill provides for the development of the 350-acres Bathside Bay – an inlet of the River Stour located next to the existing dock facilities – which would double the size of the port.

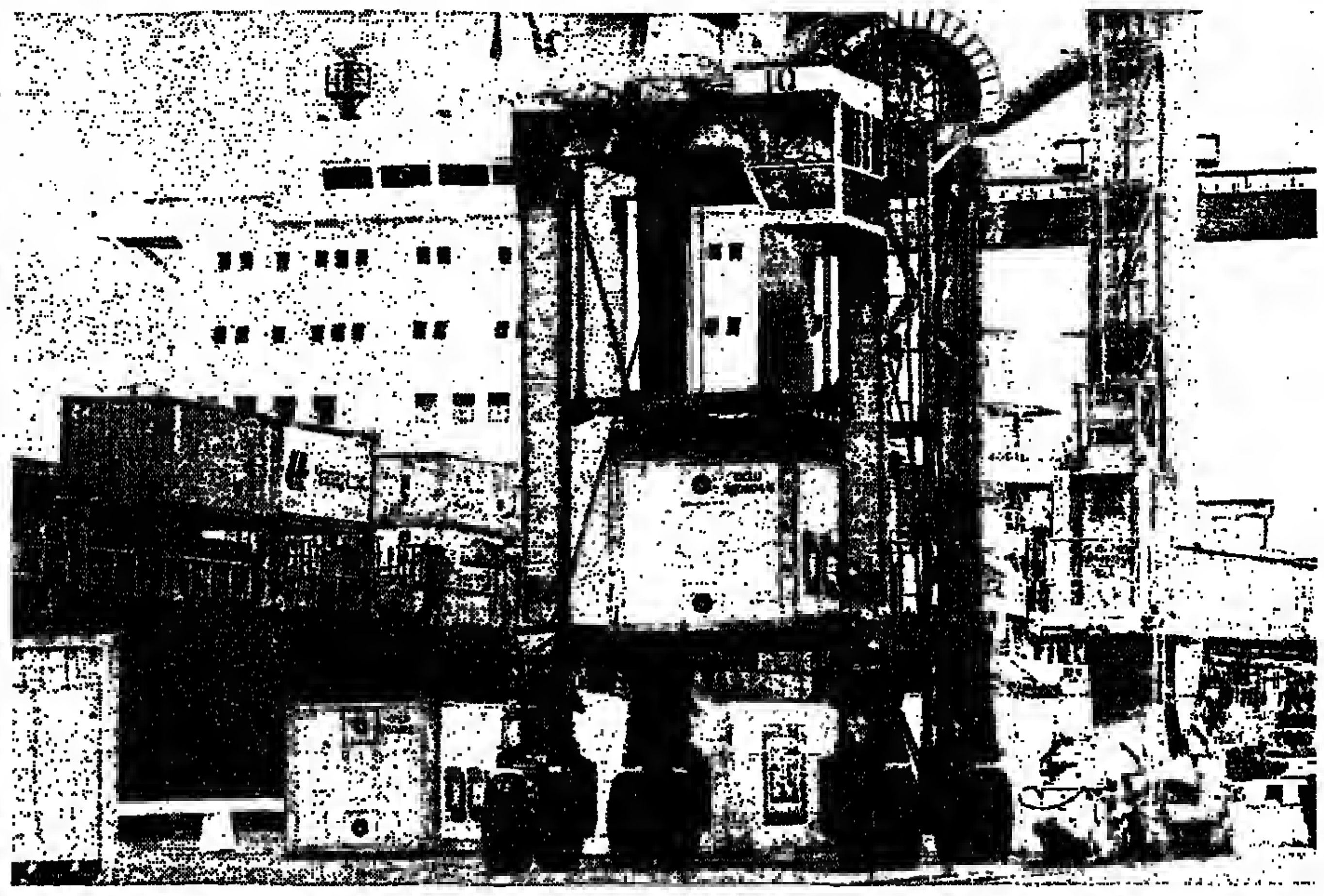
The scheme involves the construction of a new quay wall, and the reclamation of tidal mud flats to form a hard standing. Four deep-sea berths would be built with facilities for container, roll on roll off and other deep sea ships, and 25 acres of container stacking.

Colchester, the other Essex port, is significantly smaller than its two local competitors, but has a substantial throughput of dry bulk commodities. The port was recently sold to ABP by the Dalgety group for £4m.

ESSEX PORTS - TRAFFIC STATISTICS, 1986

Port	tonnes*
TILBURY	
Dry bulk	1,700,000
Unitised forest products	1,250,000
Containers (TEU)	375,000
All freight	6,000,000
HARWICH	
Passengers	2,011,000
Bulk (petroleum products + gas)	255,000
Containers (TEU)	26,818
Container + ro ro cargoes	2,630,000
Conventional traffic	9,000
All freight	2,894,000
COLCHESTER	
Liquid bulk shipped for sea dumping	45,000
Dry bulk	913,000
Unitised forest products	145,000
Other semi-bulk	12,000
Conventional	30,000
All freight	1,145,000

Sources: Port Statistics (BPA/DoT); port publications; and industry figures.
*except containers and passengers



Unloading containers at Tilbury: the Essex port handles the bulk of the Port of London's non-oil cargo - some 6m tonnes a year

New business promotion

Partners of profit

ESSEX SEEKS to sell itself to businessmen as the county that offers the best communications and is on the doorstep of both the nation's capital and some of the most profitable markets in northern Europe. It is a powerful message that is becoming increasingly successful.

The carrot, apart from the communications, and the proximity *to London,* is the potential for growth *over the next decade.* The county, once the Cinderella of all the Home Counties, is beginning to boom. But to ensure the momentum is continued more new businesses to be attracted.

This is the task that has been taken up by a number of organisations is both the public and private sectors, headed by Essex County Council.

Since the early 1980s, the council has been actively encouraging economic growth, promoting Essex industry to protect existing *jobs and supporting* new developments to provide more.

An employment promotion unit was created in 1982 and, in liaison with local and national organisations, the unit ensures that the many advantages of Essex as a place to invest or relocate are made as widely known *as possible.*

Assistance to small firms is given by a sponsorship with local councils of the county's ten enterprise agencies. A typical example is at Epping Forest, where a 42 unit "seed bed" centre specifically designed for new and start-up businesses opened in *February at Loughton.*

The Chelmsford-based Essex Business Centre was launched by the council and the Essex Institute of Higher Education in 1984 to provide a free counselling service and advice of all aspects of business including marketing, finance, management, staff training and exporting. It organises seminars focussing on small firms and runs short courses in business management.

The Business Centre started with a staff of one, Mr Roy McLarty, who is still director, and it has since grown to employ 20. Although based in Chelmsford, the centre's remit covers all areas of the county from the rolling wheatfields near the Suffolk border to the regenerated industrial areas on the north bank of the Thames estuary.

'Essex University fulfils a very special role. We see *ourselves* not as an institution set apart but as a vital element of the community and economic life around us'

Since individual counselling is the prime need of the small businessman, Mr McLarty has concentrated on this. "We find that people react best to individual treatment and this sort of counselling has been our most successful activity," he said. Around 5,000 businessmen have been helped.

The service covers finance, marketing, premises, supplies and computing and there is also assistance in exporting covering market planning, documentation, the funding of agents and transport.

In 1986, the centre's service was expanded to help young entrepreneurs with *the launching* of the Essex Young Enterprise Centre at Basildon. Work units of between 150 and 300 sq ft are provided at low cost and on an easy in/out agreement. Since opening, the centre's 30 units have been fully utilised and a second centre was opened at Clacton earlier this year.

The Young Enterprise project, which helps people aged 18 to 25 to establish themselves in business, has been backed by a range of local employers including Ford Motor, British Telecom, Marconi Research and Marconi Radar.

Broader support for many of the county's employers is given by the University of Essex, based on a parkland campus above Colchester. In the past decade the university has helped over 300 companies ranging from one man businesses to multinational corporations.

Mr Lawrie Williamson, the university's director of industrial liaison, believes Essex fulfils a very special role. "We are a university with a difference. That's because we see ourselves not as an institution set apart but as a vital element of the community and economic life around us. Nothing emphasises this better than our partnership with industry."

University scientists and engineers have many links with industry. They are helping to apply new technology to tradi*tional industry, will arrange fea*sibility studies for new products and processes, collaborate on long-term design and development and provide chemical and biological analysis, consultancy services and training.

Four self-supporting industrial units – biology, electronics, *physics* and noise and vibration cancellation – as well as staff in academic departments, such as chemistry, computer science and economics, are all available to help.

"In many cases, new products and techniques developed by a specialist industrial groups have enabled our customers to take a competitive lead in their markets, to increase efficiency and productivity, or to solve seemingly intractable environmental problems," says Mr Williamson.

The range of services offered varies from one group to another, but generally includes problem-solving, analysis, feasibility studies for new products and consultancy and training. Customers can also buy time for direct use of a department's analytical instruments.

"Our approach is outward-looking. We take the time and trouble to go out into industry to find out what industrialists really want ... we appreciate the realities of commercial life, such as costs and delivery time-scales, so much better," says Mr Williamson.

A plan for a science park, first considered three years ago when the time was not thought right, now looks likely to be approved by the university. A 14-acre site overlooking Colchester has already been earmarked.

The idea would be for the science park to act as a magnet for high technology and science and marketing-based companies which could then use the facilities of the university and its campus. The university is split 60 per cent to 40 per cent in favour of arts subjects so there would be a major research element in favour of commerce as well as science.

Complementary support to that of the university is provided by the Essex Institute of Higher Education based in Chelmsford, Brentwood and Danbury. It concentrates on vocational courses at post-graduate and higher technician level in electronics and telecommunications, computer aided manufacturer, construction management, surveying and planning, law, business and management.

There are *currently* 1,600 full-time and 4,000 part-time students and 8,000 attend updating programmes annually. A recent study showed that 99.4 per cent of the full-time students found relevant employment two months after graduation.

The institute recognises a *direct link between* economic development and relevant higher education and training, and places emphasis on developing partnerships with employers.

Examples are a degree in telecommunications systems management for experience staff funded, organised and taught jointly with Cable and Wireless, a training contract with Ford involving training on site all over Europe, and a training package for the building industry.

The institute is currently undertaking consultancy and professional training in all five *continents and has working rela*tionships with New York State and Southern Illinois Universities, Nanjing Institute of Posts and Telecommunications in China and a range of universities in the European Community and East Germany.

The institute is due to merge next April with the Cambridgeshire College of Arts and Technology. It hopes the new college will be designated as a polytechnic to form Anglia Polytechnic with campuses in Chelmsford, Cambridge, Brentwood and Danbury.

Richard Evans

Commercial property

The pressures pile up

DEVELOPMENT PRESSURES are piling in on Essex as the property industry seeks to take advantage of the swing in the national economy to the east of the country and of the improvement in communications.

The completion of the north east segment of the M25 London orbital motorway and its junction with the M11, running from east London through west Essex to Cambridge, has coincided with the gradual shift of property attention to the opportunities afforded by the Eurotunnel.

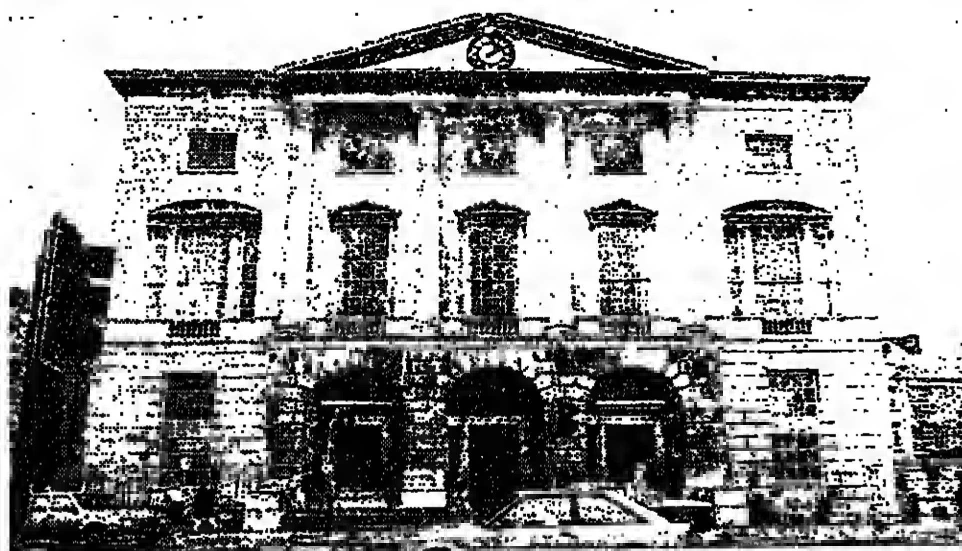
Even 15 months ago a poll carried out among property investing institutions by Market Research Enterprises for Derrick, Wade & Waters, chartered surveyors, found that over a third of the sample considered that the M11 corridor offered the greatest potential for rental growth over the next 10 years.

Essex seems set for the type of development that for the last decade has characterised the areas to the west and south west of London. The expansion of Stansted Airport is likely to be attended by growth of the type that has taken place at Heathrow and Gatwick. Already demand for warehouse and distribution facilities in tbe county has increased.

Shopping centres developments have been proceeding apace in town centres like Romford and Chelmsford, through Trafalgar House Developments and Kings Head Meadow Properties respectively, while at Thurrock, planning consent exists for the only major out-of-town centre on the M25.

Thurrock, in fact, is a symbol of the development in the county. It is an area into which the planners have sought to steer development. Land is relatively plentiful. Capital and Counties will shortly start construction of the shopping centre, having bought out the Pearson interest in the joint venture. But there have been other transactions and plans announced reflecting the incipient property strength of the area.

Waterglada International recently bought 60 acres of land from RTZ Estates for £8.5m and plans to expand existing warehousing facilities to create the Waterglade International Industrial Park.



County hall, Chelmsford: office rents in the town still have some catching up to do

On a bigger scale, the landowners of 600 acres – Blue Circle Industries, Pearson and Pelham Homes – have pooled their holdings to develop Chafford Hundred as a new village. It will include 5,000 homes, community and leisure facilities and be constructed on hitherto derelict land.

Essex, indeed, faces the same pressure of demand for new housing as other counties in the South East. The rising price of housing land was evident when, in April, it was disclosed that the Barking, Havering and Brentwood Health Authority had sold 27.35 acres of surplus land for £20.6m. The buyer was Heron Homes.

But the planners have shown that they are not prepared to meet this demand at the expense of the Green Belt which seeks to hold in check the spread of London. This point received its most dramatic illustration when Mr Nicholas Ridley, the Environment Secretary, turned down the demand of Consortium Developments, grouping the country's biggest housebuilders, for consent to build Tillingham Hall, a new community in the county's Green Belt.

Sensitivities about the Green Belt have more recently led Mr Ridley to refuse permission for a new racetrack, grandstand and car parking at Orsett, although last year be was prepared to grant consent. Procedural problems with a planning case which had appeared to be completed last year allowed the whole matter to be re-opened and Mr Ridley changed his mind.

These two cases show that property development in Essex will not be unfettered. But even with the existing stock there has been an increase in values. The latest survey of 50 centres throughout the country by Jones Lang Wootton, chartered surveyors, showed that last year office rents in Chelmsford rose by 12.5 per cent to £9 a square foot and that industrial rents rose by 22.8 per cent to £3.50. They will have climbed higher since then, in line with the general trend in the south east.

But this growth for offices is beneath the mean average for the centres surveyed. Looking at Chelmsford office rents for the period from 1979 to 1987, JLW found that they had risen slower than the rate of inflation.

In a particular way, this makes the point that property growth in Essex has some catching up to do. The relative cheapness, allied to the improvement in communications, is likely to intensify development pressures as companies look for accommodation that is less expensive than central London and the western and south western motorway corridors. There is much talk of the Phoenix rising in the east. Essex is part of that Phoenix.

Paul Cheeseright

Demand outstrips supply

DEMAND FOR all types of commercial property in Essex continues to outstrip supply, according to a report given to the County Council by Mr Stuart Selfe, the county planner.

Mr Selfe said that the amount of vacant industrial and warehouse accommodation listed in the Essex Commercial Property Register had fallen to 1.9m sq ft from 2.7m sq ft at the end of 1986 and 5m sq ft in 1984.

Vacant property now accounts for only 1.8 per cent of the total stock of industrial and warehouse accomodation in the county.

Undeveloped industrial land totalled 1530 acres, of which half could be developed immediately or is likely to become available before the end of September, Mr Selfe said.

On past building rates, Mr Selfe estimated that this supply of land should suffice for the next eight years. But he warned that 40 per cent of this land is held by companies for their own expansion, or committed by planning permission, or is not on the open market.

The percentage rises to more than 95 per cent in the Brentwood, Epping Forest and Chelmsford areas, Mr Selfe added.

Donald McNicoll

Stansted airport expansion

Major works ahead

CHARTING THE progress of the great earth moving machines around a mile north of Stansted station, a tiny halt on the London to Cambridge railway line has become a diverting distraction for regular travellers seeking to relieve the monotony of the journey.

The work they are watching is the construction of a rail spur from the main railway line into Stansted Airport. The airport was chosen by the Government in June 1985 – following a series of bitter planning battles – as London's third airport.

The construction of the rail spur is just one of the series of major works, associated with the airport's expansion, which could radically alter the fabric of life in this part of rural England.

Stansted, long a small commercial airport mostly handling charter traffic, was built in 1942 as a military airfield for US bombers. The changes now underway will turn it into fully-fledged international airport handling up to 8m passengers a year by 1991. Two years ago the airport was handling around 500,000 passengers a year.

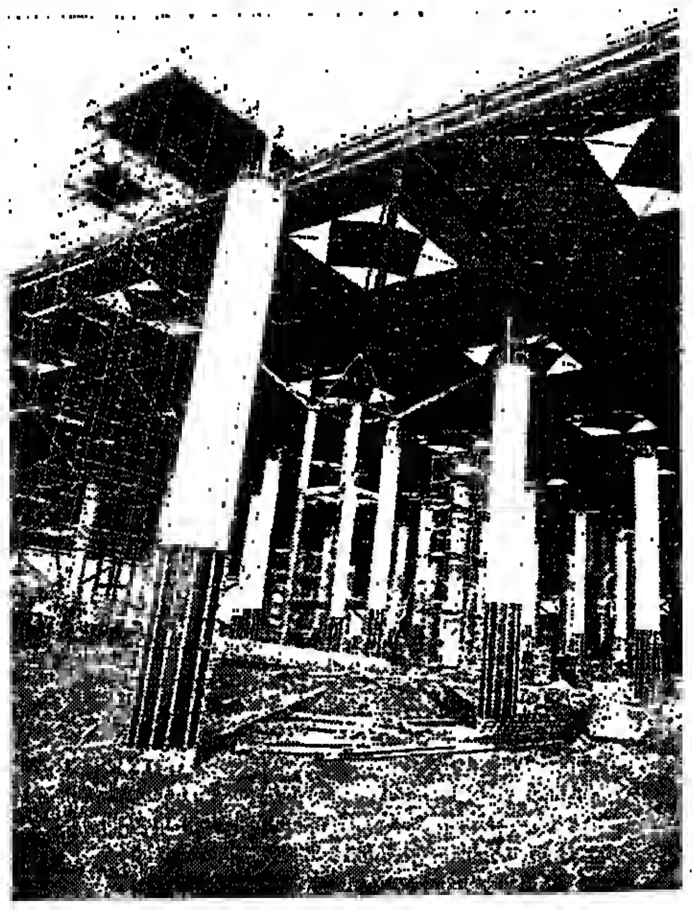
If the Government gives its permission – and many aviation experts believe it will be forced to do so by overcrowding at Gatwick and Heathrow airports – Stansted could be handling up to 15m passengers a year by the end of the century.

The growing pains could severe. Stansted and the surrounding villages and towns along the borders of Essex, Cambridgeshire and Hertfordshire lie in the very heart of the countryside.

Experience of airport developments worldwide suggest that the nature of this area will change as the local population expands and industry and commerce are attracted to the areas around the airport – just as the Heathrow and Gatwick environs have grown and changed in character during three decades of commercial air travel.

Airports like Heathrow and Gatwick have become the modern day equivalents of the Victorian railways which acted as a catalyst for economic activity and bought prosperity to cities and towns along their routes.

Developers at Stansted are already eyeing covetously some of the great open fields which lie beyond the airport's 10,000 ft runway – it was lengthened in the 1950s to accommodate long-range nuclear bombers.



The beginnings of Stansted's new international terminal

Housing demand in this part of East Anglia is already very high as a result, in particular, of the construction of the M11 and M25 motorways which have dramatically improved communications.

The electrification of the London to Cambridge railway line and the construction of a new road bridge across the River Thames at Dartford will further improve communication still further and add to the region's attractiveness.

House prices in East Anglia are rising faster than any other region in the country as too many buyers chase too few homes for sale. The pressures are particularly acute in the Stansted area.

Major housing developments proposed along the line of the M11 motorway include a new town of 3,000 homes at Wilburton, near Cambridge, which has been put forward by Consortium Developments, representing ten of Britain's biggest house builders.

More than a dozen separate proposals have now been made to develop a new town close to Cambridge. They include a plan by Erostin, property developers, which wants to build 3,000 homes at Chittering, north of Cambridge.

At least another three large scale developments are proposed within a 15 mile radius of the airport. These include: Stortford Park Farm a 1,500 home development proposed by Bovis and McAlpine Homes at Bishops Stortford; 1,200 homes proposed by Crest Homes between Stansted and Bishop's Stortford and 3,500 homes proposed by a consortium of Countryside Properties, Croudace and Wates at Harlow.

Further east at Braintree in Essex there are plans by Bovis to build a 1,000 home development at Marks Farm while Countryside has proposed a 1,800 home development called White Court West.

Many of the schemes are likely to be opposed by local authorities as Essex and Hertfordshire planners try to keep a lid on expansion in the rural areas of the two counties.

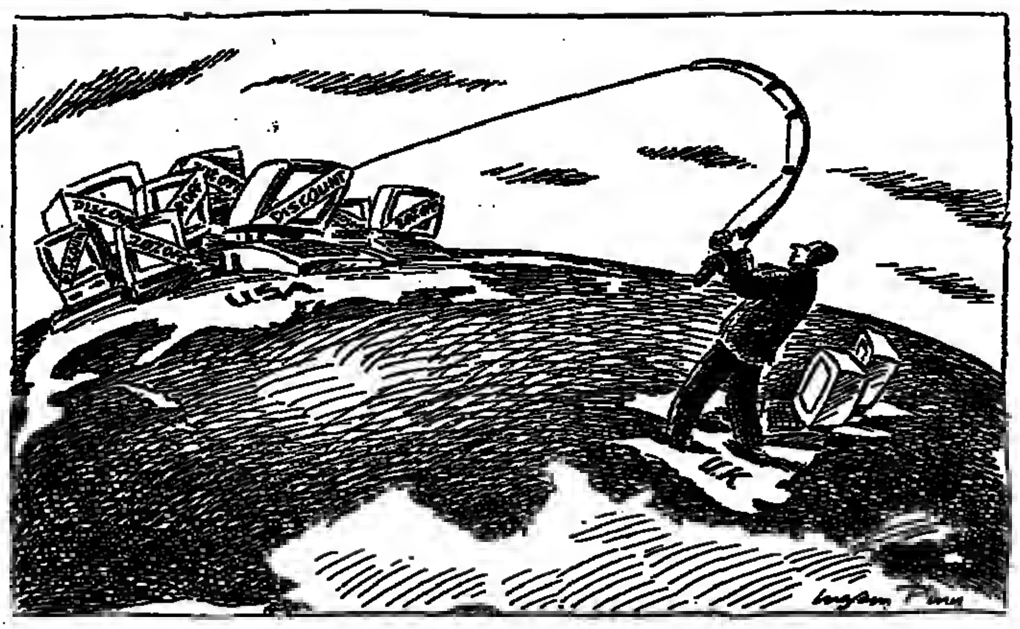
The authorities which opposed the development of Stansted as London's third airport say that 4,000 extra homes will have to be built in the next decade to accommodate the airport's expansion. They propose that about 3,000 of these be located in three towns: Bishop's Stortford, Harlow and Dunmow.

Local estate agents and builders say the local authorities estimates are far too low and do not take into account the more general growth in housing demand which has already occurred in the area following the construction of the M11 and M25.

Moreover the Council's estimates are based on the airport handling no more than 8m passengers a year when many experts believe parliament will increase the airport's throughput up to the maximum of 15m passengers.

Andrew Taylor

TECHNOLOGY



Fishing for bargains in a cheap dollar pool

Patricia Tehan reports on the brisk trade in computers paid for in the US to take advantage of favourable exchange rates

IN AN AGE when most large commercial organisations are spending more on maintaining their existing computer systems than on building new ones, the pressure is on to look for the best deal when they do come to buy.

Companies with a large investment in information technology (IT) have to run fast just to stand still. Most organisations cope by putting pressure on their existing suppliers to offer discounts, usually playing off one against another.

But some of the more entrepreneurial heads of IT have found an answer to their expansion needs in the "back-door" companies that supply equipment transported from the US. Favourable exchange rates combined with lower US prices mean that European firms are increasingly looking to the US for a cheap supply of computer equipment.

Since February 1985 when the pound was at little more than $1, it has climbed to the high $1.80s. Although the dollar has recently begun to recover, there are still significant savings to be made. The most fruitful fields are the markets for computera from International Business Machines (IBM) and Digital Equipment Corporation (DEC), where there are established brokers and leasing and maintenance companies.

Red Gallagher, UK general manager of Comdisco, a large computer broker in Europe and the US, says cross-border trading is by no means a new phenomenon. But he adds that in the last nine months trade has been very strong, as six figure savings can be made on large mainframe computers, paid for in the US.

Gallagher warns that this could stop abruptly if the dollar rose significantly against the pound. But, at the moment, the list price for IBM mainframe computers in the US is 20 per cent cheaper than in the UK. Transport costs, import duty, conversion and installation all taken into account, that can still mean a saving of between 10 and 15 per cent.

Some of the third party leasing companies claim that, depending on the make and model of computer, some organisations have saved between 25 and 30 per cent.

Derek Lamb, UK managing director of Bell Atlantic Financial, the computer leasing and broking arm of the US Bell operating company, says there are two main benefits.

The first is price. Three factors contribute to this: a lower purchase price, the favourable exchange rate and the tax advantages given to American companies when they buy computer hardware.

The second is faster delivery. The US has a larger market for computer equipment than Europe, which means there are more machines available.

Lamb says most companies are too afraid of their local computer suppliers to take the plunge and look around for a better deal. "It is the multinational companies that are doing this because they do not get frightened by IBM."

But asido from the issue of boldness, there can be drawbacks to importation. The process may be subject to delays – transportation, conversion and installation times often run into eight or nine weeks. And if you do not buy locally you also lose your machine warranty from the manufacturer.

Many a wary computer manager will wag a finger and warn that the computer manufacturer will refuse to carry out maintenance if the computer is not converted to its specifications.

Dan O'Keefe is chairman of Enterprise Computers, which is widely used by leasing companies to convert IBM mainframes from the US standard of 220 volts and 60 hertz to 415 volts and 50 hertz for use in the UK. He dismisses fears and says: "IBM is not entirely enthusiastic about this practice. But it is international trade and there is not much they can do about it."

O'Keefe's company has converted 300 water-cooled mainframes in recent years, 40 of them in the last year, mainly IBM 3090 mainframes or smaller 3080 mainframes. His firm concentrates on machines large enough to need water cooling. "If you convert a 3090, that is not going to go into the local greengrocer on the street corner, it is destined for a large commercial concern."

> **IBM and DEC distributors in the UK have been hit by brokers buying equipment cheaply in the US**

Computer managers have had mixed experiences. Kenny Clements is systems development manager at London Transport Advertising. He asked for quotes from several IBM System 36 minicomputer suppliers before he decided to use the broking side of Asystel to ship over a machine from the US.

Clements says he paid £42,000 for the US machine, getting 20 per cent off list price in the UK, and installation went smoothly. "From tha time I placed the order, it was five weeks to installation." IBM was offering the same installation time and a 6 per cent discount.

An IBM engineer came to give the machine a once over and accepted it for a maintenance contract. Although Clements lost the warranty, maintenance costs were tiny compared with the sums involved.

He would repeat the exercise, again using a third party company to ship over a computer from the US, rather than having a go himself. "I have no experience of importing computers; I just run a small data processing centre."

Others have not had such a trouble-free ride. Paul Stevens, systems manager for Binder Hamlyn, says that when the company last upgraded its IBM System 38 minicomputer, the new equipment came from the US. The memory upgrade to the processor was fine, but Binder Hamlyn "had an awful lot of problems" and waited months for the device controllers from peripherals company Memorex.

Once bitten twice shy? By no means. Binder Hamlyn is again looking to upgrade its System 38 site in August and has already started to look around for companies which bring in machines from the US.

Dave Thomas, brokerage manager at Asystel, says the savings remain attractive. When Asystel calculates a contract with a computer manager, it takes into account the costs of buying in the US, transport, import duty, conversion and installation. The company sometimes also arranges to pay maintenance to IBM for the first year to replace lost warranty, and still makes a healthy profit.

He estimates a 20 per cent saving on a top-of-the-range IBM 3090 600E mainframe costing $11m (£6m) in the US. According to him, the same machine costs almost £11m in the UK, but more conservative estimates put it at between £8m and £9m. Nevertheless this is an impressive saving.

Colin Cook, managing director of DPCE Products, which transports IBM and DEC machines from the US, says the savings are more noticeable in DEC processors at the moment. He also comments that the DEC trade is brisker and that interest is strong in multiple DEC Microvaxes.

Both IBM and DEC, although reluctant to discuss the threat from across the Atlantic, admit that they have problems with back-door imports. Both companies' distributors in the UK complain that they have been hit by the activity of brokers buying the equipment cheaply in the US to sell in the UK and the rest of Europe. IBM has cut prices in the UK to help put a stop to the stream of machines coming in.

A spokesman for the company confirms that equipment in the US is usually cheaper and that IBM has been bringing down prices in the UK, particularly for the System 38 minicomputer. He says IBM is always looking to balance prices across the world and "cross-border shipping is an indication that something is wrong."

A DEC spokesman says: "We review our pricing policy in the light of prevailing business conditions. One of the factors that we do take into account is obviously currency fluctuations, but it is not the only one." The company is aware of cross-border trading and "constantly monitors the situation and takes action as appropriate."

One thing is certain, unless the gap closes between pricing in Europe and the US, this behind-the-scenes trading will not go away.

The author is chief reporter for Computing.

WORTH WATCHING

Edited by Geoffrey Charlish

Transferred calls that cost less

THORN Ericsson, of the UK, is offering an automatic call distribution (ACD) system that enables some operators to be located away from city centres, so cutting costs.

ACD is often used by companies that have to deal with large numbers of enquiry calls from the public. The calls are automatically fed to the operator who has been free the longest or, if all are busy, calls are put in a queue and fed to the first free operator. The system gives the public the best service with the fewest operators.

Many organisations that use ACD, however, have their systems in expensive city centres. Thorn Ericsson has devised software for its ASDP 162 system which will automatically divert the calls to remote, lower cost locations.

An early user is British Telecom International, which is now able to route international directory inquiry calls from an ASDP 162 in London to operators in Grimsby, Humberside.

Two area electricity boards in the UK are also using the system.

Shrink to fit in an instant

PLASTIC tubing and sleeves, which will shrink to half their size when dipped momentarily into boiling water, are offered by Raychem, the US-based materials company.

Raychem has made heat-shrink products for some time, but the new item, called Thermofit LSTT, performs at a lower temperature than earlier materials. All that is needed is a container of water held at boiling point.

An important use will be in the electrical and electronic industries, where insulating sleeves have to fit snugly on to the metal ends of wires. An LSTT sleeve, positioned over the crimped-on or soldered connector, can be shrunk to fit in the time it takes to dip the assembly in the water.

Raychem believes the rapid action of the new material will make it attractive in many production applications calling for insulation or surface protection.

The material is supplied on spools in diameters from 1.6mm to 38mm. When shrunk, it retains full mechanical, electrical and chemical resistance properties at temperatures up to 105 deg C.

Identifying bleeps by numbers

PAGERS, a boon to employees on the move within an organisation, now emit more than one bleep pattern with the object of telling the user to telephone a specific person or carry out some pre-arranged action. The problem lies in remembering what the various sounds mean.

The latest unit from Air Call Communications of London has a numerical display that clarifies the source of each tone pattern and indicates the priority that should be attached to each call. Up to eight alerts can be identified.

Designed for use on Air Call's VHF paging network, the unit has a memory which stores paging calls until they are acknowledged and deleted. Silent operation, for use in meetings, replaces the bleep with a flashing light.

Concord between computers

CONCORD Communications of Marlboro, Massachusetts, has introduced a communications controller which allows the new IBM Personal System 2 (PS/2) computer to be connected into MAP networks. The PS/2 is a personal computer (PC) which supersedes the IBM PC models.

MAP, which stands for manufacturing automation protocol, is a networking software technology, initiated by General Motors, which allows computer-based equipment from any maker to be connected together in manufacturing systems.

GM took the lead in promoting such software, in advance of decisions by the international standards bodies, when it found that its factories were becoming a nightmare of dissimilar systems – machine tools, robots, assembly machines – that could not "talk" to each other.

Concord's product is called MAPware 1400. It is priced at $1,995 and is claimed to provide a full solution at all of the software layers involved in the latest MAP specification.

Communication about qualification

IN THE UK, a survey carried out by the National Computing Centre (NCC) has revealed a requirement for more than 5,000 new information networking staff over the next five years. It also confirmed that communications was emerging as one of the fastest growing job categories (around 13 per cent per annum).

To try to cater for this expansion, the Institution of Electrical Engineers (IEE), the Telecommunications Users' Association (TUA) and the NCC are to investigate the demand for a National Certificate in Communications. Although there are already national certificates in many technology subjects, none concentrates on communications.

The three organisations plan a meeting on June 16 in London, involving government, industry and education, with a view to setting up a working party.

An advocate of commercial 'esprit'

THE EUROPEAN strategic programme for research and development in information technology, Esprit, should be seeking a better understanding of how to transfer technology from the academic world to the commercial one, as well as striving for technological breakthroughs. That is the opinion of John Diebold, chairman of The Diebold Group, New York management consultants.

"As I understand it, one of the goals of Esprit is to ensure strong European positions in relation to Asian and US developments in information technology. If this objective is to be achieved, substantial effort must be put into understanding the transition mechanisms that bring innovations from laboratories to commercial markets," Diebold told a recent European conference on Esprit.

CONTACTS: Thorn Ericsson: UK, 0403 64166. Raychem: UK, 0793 28171. Air Call: London, 205 6566. Concord: US, (617) 460 4646. NCC: UK, 061 228 6333. The Diebold Group: US, (212) 684 4700.

Cadbury Schweppes MANAGEMENT PROVEN IN THE MARKET PLACE. Cadbury Schweppes MANAGEMENT PROVEN IN THE MARKET PLACE. Cadbury Schweppes MANAGEMENT PROVEN IN THE MARKET PLACE. Cadbury Schweppes MANAGEMENT PROVEN IN THE MARKET PLACE. Cadbury Schweppes

Cadbury Schweppes increased their European soft drinks profits by 59%. They started by helping the market go dry.

That's dry as opposed to sweet; light and sophisticated as opposed to fizzy. In short, 'adult' soft drinks.

The reasons for this market shift are all wrapped up in the current emphasis on healthy living: cutting down on alcohol, cutting down on sugar etc. (but, for a soft drinks company with its top screwed on, no reason for cutting down on profits). Cadbury Schweppes simply repositioned existing brands that matched changing tastes and introduced a totally new dry range.

Uncommon Marketing.

The Common Market is becoming a reality. 1992 will herald the arrival of a formidable market of over 320 million thirsty consumers. We have prepared for that opportunity with a strategy that treats Europe as one entity but still allows us to recognise and cater for individual local needs.

Two highly successful examples of this strategy, developed by our local management and franchised bottlers, are Schweppes Tonic Water and Canada Dry. These classic old mixers are now seen as classic new straight drinks in many parts of Europe. In fact the Spanish market now consumes more Tonic than the British.

New product development has also been important. Sophisticated palates in France and Italy were specially catered for by the introduction of two subtly different, dry ranges. Ranges that have become so de rigeur, that our market share has increased significantly.

Uncommon Profits.

Increased manufacturing efficiency has freed funds for higher marketing investment. As a result, as tastes have grown up in continental Europe, so have beverages profits. Last year, through marketing efforts and the acquisition of Canada Dry, they exceeded £31m, a 59% increase on the previous year. And with the preparation complete and ready for 1992, the taste can only get sweeter (unlike our products).

But this isn't just a European success story. Indeed it might be called an international best seller. In the words of Chief Executive Dominic Cadbury: "Global brands require strong local management and this combination grew our earnings per share by 33% last year".

Cadbury Schweppes

MANAGEMENT PROVEN IN THE MARKET PLACE

هكذا صدر الأصل

Pilkington

Integrating with the big league

Peter Marsh on the UK glass maker's strategy for its opthalmic acquisitions in the US

THE £361m purchase last September by Pilkington, the British glass maker, of two big US ophthalmic companies was a coup for the UK group — and also a major challenge.

After buying the concerns from Revlon, the US healthcare company, Pilkington doubled its annual vision products sales to about £260m.

This catapulted the company from its position in the minor league in this £2bn-a-year business to one of the top four players worldwide. The business includes production of spectacle and contact lenses, together with related activities such as lens-processing equipment and lens-cleaning chemicals.

The move fitted in with Pilkington's general preoccupation with diversifying into high-value areas related to new technology which are outside its traditional glass-making remit. The company wants about a third of its turnover to come from the newer areas by the mid-1990s.

Eye-correction goods add up to a fast-growing industry linked, in many parts of the world, to an increased number of people who are diagnosed as having eye defects. Increased consumer prosperity also means that more people, in developed countries at least, have the cash to pay for the products, which have a strong fashion component.

There is, furthermore, a great opportunity to feed into it new technical ideas, in areas like materials and processing technology, to make available better or cheaper products.

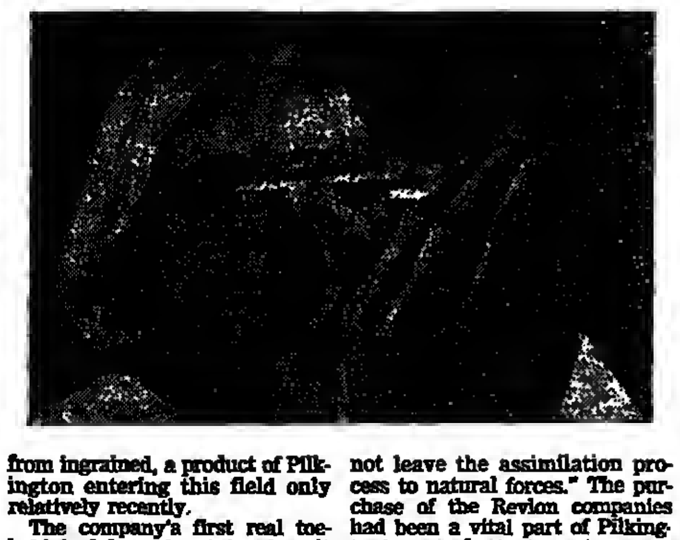
The Revlon deal gave Pilkington a particularly strong position in the US, the world's biggest market for vision products. In that country, the company is now number two in terms of sales in both spectacle lenses and contact lenses, the respective leaders being Essilor of France and Bausch & Lomb, a US concern. Other leading competitors in vision products include Ciba-Geigy of Switzerland, SmithKline Beckman of the US and West Germany's Zeiss.

Last September's events also gave Pilkington a few headaches. The problem was how to integrate the mostly US-based activities of its two new subsidiaries — Barnes-Hind, a maker of lenses and chemicals, and Coburn, which makes lens production systems — into Pilkington's existing vision products activities which were broadly scattered around the world.

Pilkington had to ensure a good fit between its old and new activities, cutting out overlap. It had to decide on which brand names it would use and where to concentrate manufacturing. It also had to win the co-operation of 2,700 new employees added to the 4,300 previously on the payroll in the area of vision products.

The group's response to the challenge was radical. Rather than attempt to graft the new companies on to its existing management structure, it started from scratch, creating a new subsidiary, Pilkington Visioncare, to oversee all its eye correction activities.

In this exercise, Pilkington was probably helped by the fact that work practices at its existing eye correction subsidiary were far from ingrained, a product of Pilkington entering this field only relatively recently.



The company's first real toehold had been in 1979, when it purchased Sola, an Australian maker of plastic lenses for spectacles. This was followed three years ago by the $60m acquisition of the ophthalmics activities of Syntex, a US healthcare concern, which took Pilkington into contact lenses for the first time.

To sort out how the newly enlarged company would operate, Pilkington set up immediately after buying the Revlon companies a series of committees to consider in depth the various aspects of the business.

Pilkington was careful to put on each committee equal numbers of people from the old and new parts of Visioncare. "We had to convince them (the new employees) of our seriousness and credibility," says David Roberts, chief executive of Pilkington Visioncare. "I think we did this and in the end we found tremendous co-operation and goodwill."

Roberts is a long-time Pilkington employee who trained as an accountant and who prior to last year's acquisitions had been in charge of the company's general ophthalmic businesses — which comprise both Visioncare and Chance Pilkington, a smaller subsidiary concerned with special glass products for items such as military equipment.

After the Revlon purchases, Roberts had a frantic six months supervising the decisions over the new structure, which is now complete. He justifies the strict control of the procedure on the grounds that Pilkington "could not leave the assimilation process to natural forces." The purchase of the Revlon companies had been a vital part of Pilkington's grand strategy to move more into high-tech areas; it had therefore been important to get the integration process right.

Pilkington has had plenty of experience of buying overseas companies; the purchase in 1986 of Libbey-Owens-Ford, the US glass-maker, which made Pilkington the world's biggest glass company, is a good example. But in these cases the company attempted nothing like as radical a restructuring to group the new concern into its existing business, and Roberts says he was conscious that he was taking the company into a new area.

Pilkington did not embark on this route entirely on its own. It called in a team from Bain, the management consultants, to advise it on the integration. The company is not willing to elaborate in great detail on what the consultants did beyond saying they provided extra perspective.

In the structure that ultimately emerged for Visioncare, Roberts oversees a division of Pilkington which has its titular base in St Asaph, North Wales — the traditional home of the group's ophthalmics work.

Only a handful of people work there, however, with Visioncare's operational headquarters now in the course of being set up in Menlo Park, California, reflecting the fact that 70 per cent of the company's sales are in the US.

Reporting directly to Roberts is John Heine, Visioncare's president and operating head, who had previously been in charge of Pilkington's spectacle lens operations.

The group's response to the challenge was radical. Rather than attempt to graft the new companies on to its existing management structure it started from scratch, creating a new subsidiary

Under Heine are the four main Visioncare units, two of them covering just North America and involved with spectacle lenses, and contact-lenses and solutions. The other two are concerned with all vision products outside North America and, on a worldwide basis, lens-processing equipment.

A vital part of the decision-making that went into the new structure concerned brand names. While for the time being Sola, Pilkington's old brand name for both spectacle and contact lenses, will apply to both sets of products, it will eventually be used only for spectacles. That will provide a neat marketing division between the two types of items, with Pilkington's contact lenses ultimately being sold only under the Barnes-Hind label.

David Roberts of Visioncare

Equally important was where to concentrate contact lens production, a highly sophisticated process where (in contrast to the making of spectacle lenses, which in Pilkington's case takes place in several factories around the world) it makes sense to site most resources in a single centre.

Pilkington ultimately decided to shut its existing contact lens factory in Phoenix, Arizona, which was run under Sola management, transferring production to a sparklingly modern plant in San Diego, which had been part of Barnes-Hind. The transfer should be complete by the end of the year, with about 600 jobs being lost in the process.

Pilkington is well aware that completing the restructuring is only the first of the battles that Visioncare has to fight; it still has to prove that it can turn out good commercial results. Observers have, however, been generally impressed with what the group has done so far.

Angus Phaure, an analyst at County NatWest-WoodMac, a London stockbroker, says Pilkington has done "a superb job" in the restructuring, though he stresses that it is still too soon to say what the effect of the exercise will be in commercial terms.

Gordon Edge, chief executive of Scientific Generics, a consultancy which is advising Pilkington on technology and management issues, says he has been favourably struck at Pilkington's willingness to devolve management responsibilities around the newly enlarged eye correction group. "Pilkington has not imposed a hierarchical structure on the operation and has been very sensitive to the role of the new people it has taken on. I would like to think the business will be a success."

Organisational structure

Focus on the 'middleman'

William Dullforce on a key role in corporate market awareness

GOOD MANAGEMENTS, current wisdom says, ensure that their companies are market-driven, market-orientated or at the very least organised to receive signals from the market-place.

Autopsies on busted companies or consultants' prescriptions for ailing concerns time and again distinguish the failure of managements focused on product or technology to understand the changing demands of their customers.

The diagnosis is familiar; boards and chief executives are keen to make their businesses more responsive to the market. But Derek Abell, professor of business administration at the IMEDE management training school in Lausanne, says too frequently they do not know how to change the basic management orientation.

His research and consultancy work have led him to the belief that "middlemen" have a vital role to play in bringing about this fundamental change in organisational structure and in keeping a business sensitive to the market.

Connection

A middleman is an imperative for market-driven organisations, Abell explains in a recent IMEDE paper*. He is needed to maintain and keep alive the connection between the market-place and all the internal functions of an enterprise — manufacturing, research and development, administration, finance and even sales and marketing.

However, to perform effectively, a middleman has to possess greater organisational clout and broader talents than those needed by conventional marketing managers.

Companies fail to make the required change of course, according to Abell, because they do not have marketing people who "understand manufacturing, can go to the research and development manager and talk priorities, can raise alertness within the company and function as orchestrators."

Marketing managers are usually better equipped to act as middlemen, Abell acknowledges, because they are in close contact with the customers and are orientated towards the competitive forces in the market.

Unfortunately, very few marketing people see themselves performing such a part. In most firms, Abell argues, they are preoccupied with two other important tasks, selling and analysing. There has been no tradition of training them to be middlemen.

Abell traces the amplification of the marketing role in management since the beginning of the 1950s, when it was summed up in the title "sales director". Its scope was first broadened to include pricing, product policy, promotion and distribution.

Marketing managers were forced to look further "down stream" and to sell "through" not just "to" the next level of manufacturing or distribution. Strategies were aimed at stimulating end-user demand.

At this point the intelligence function was added to the mix. Initially focused on customer behaviour, market researchers tended to be analysts rather than managers. "They seldom collect the intelligence that is really required and they almost never adequately communicate it to the people who most need to know," Abell criticises.

In recent years marketing has taken another big step forward by moving into competitive and industry analysis. But in Abell's view, adding these new analytical tools is not enough for companies wanting to change their basic drive.

While many firms have used them to make strategic analyses and set new directives, few have put in place the organisational mechanism for making the whole company responsive to its market.

Paradoxically, Abell finds, although marketing managers are better equipped analytically, they are often more poorly prepared for acting as middlemen. Corporate executives' idea of getting some business school MBA graduates "started in sales" is fine for exposing young managers to actual buyers, Abell says, but misses the essential point — a marketing manager acting as middleman must also learn how to deal with production staff, research and development and the other internal functions of a company.

Three elements must be in place for a company to become market driven in Abell's view. Its organisational structure must reflect, and if possible lead, the changing segmentation of the market place.

Second, it must develop processes which allow the marketing manager to function as the middleman between the various functions of the enterprise and its market.

Third, and most important, managers in both marketing and other functions must achieve "much broader perspectives and leadership abilities than is typically the case today."

Abell cites the case of a chemicals company which correctly read market signals as indicating the need for it to switch from bulk to speciality chemicals. It realised, too, that it had to adapt its heavily centralised management system to a more highly segmented market, to allow more decisions to be taken at lower levels.

It recognised that it needed good, all-round managers at the market segment level and even saw that marketing staff had to function as middlemen. In the end, however, it had to back off its plan to move strongly into speciality chemicals simply because it could not find enough people with the right management skills.

Understanding

In practice, Abell suggests, companies that are not yet market driven probably need "to make a grand splash to get the whole thing rolling." A group exercise, spearheaded by general management or an emergent middleman, will inject into staff a universally shared understanding of the market place, restructure the organisation, set new priorities for each function and define new working relationships.

This one-time effort should leave in place "new processes orchestrated by a middleman". Failure to carry through this redirection thoroughly or to involve all members of the organisation in it can jeopardise any later efforts to run a market-driven company, Abell warns.

In the final analysis, however, everything depends on the quality of the management involved. Career development along specialised lines will often fail to produce a middleman. Careful selection, a broader than normal pattern of managerial assignments and a planned period of management development are the only ways to hone the kinds of credentials required, Abell concludes.

*Four-page brochure available free from IMEDE, PO Box 915, CH-1001 Lausanne, Switzerland.

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
10	11	12	13	14	15	16

Theatre

LONDON

Cat on a Hot Tin Roof (Lyttelton). Ian Charleson and Lindsay Duncan lead this white hot National Theatre revival of Tennessee Williams's play directed by Howard Davies. Eric Porter, absent from the stage for 12 years, is an electrifying Big Daddy. (928 2252)

The Common Pursuit (Phoenix). Second London chance for flawed Simon Gray comedy about Cambridge graduates in love and publishing. Author directs good young cast including Rik Mayall and Stephen Fry. (836 2294, credit card bookings 240 9661).

Easy Virtue (Garrick). Transfer of the King's Head revival of early Noel Coward: same period but lesser vintage than Hay Fever, but worth seeing. (379 6107).

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash *the baritonal Emile Belcourt out of* her hair.

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing musical by Andrew Lloyd Webber. (839 2244, credit cards 379 6131/240 7200).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5399).

Back with a Vengeance (Strand). Barry Humphries, indisputably the outstanding vaudevillian of the age, has extended his triumphant London season in July 9. Dame Edna Everage has now earned full immunity to good taste, while the bibulous diplomat Sir Les Patterson touches new heights of degradation. (836 2660/4143).

Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics in a splendidly taut and clever entertainment. Felicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne in elegant support. Double meanings and double identities abound. (836 6404, credit cards 379 6233).

NEW YORK

Fences (46th Street). August Wilson hits a home-run, this year's Pulitzer Prize, with a powerful tale of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221 1211).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline. (239 6262).

A Chorus Line (Shubert). The longest *running musical ever in US has not* only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Les Misérables (Broadway). Led by Colm Wilkinson, repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's *majestic sweep of history* and pathos brings in Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its transatlantic incarnation. The skaters do not have in go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery in distract from the hackneyed pop music and trumped-up, silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

WASHINGTON

The Search for Signs of Intelligent Life in the Universe (Eisenhower). Lily Tomlin repeats her award winning solo performance of the crazy people who inhabit her funny and strange imagination. One major segment explores the women's movement over the past decade. Ends June 26. (254 3670).

CHICAGO

Pal Joey (Goodman). Set in Chicago in the 1940s, this Rodgers and Hart classic, directed by Robert Falls, follows in haunting melodies the escapades of a classic heel caught between the one who loves him and the rich lady he wants. Ends Aug 7. (443 3800).

TOKYO

Kabuki (Kabuki-za). Kabuki-za is celebrating its 100th anniversary in 1988, presenting both perennial favourites and new works with leading actors throughout the year. Takeda Shingen, O-Metsuri at 11am; Honcho Nijushi-ko, Shunkyo Kagami-jishi, Banzui Chobei at 4.30pm. For those with little time at their disposable, tickets are available (on the day only) for a single act. Excellent English earphone commentary. (Ends Jun 27). (541 3131).

Opera-za no Kaijin (better known as The Phantom of the Opera) plays at the Nissei Theatre. The fact that Andrew Lloyd Webber's affectionate tribute to Victorian melodrama is getting a Tokyo production so soon after London and New York is more a tribute in the mighty yen than in Tokyo's theatrical and musical pre-eminence. However, Japan's leading musical company, Shiki, acquits itself well in what is a virtual carbon-copy of the London original. (320 9000).

The Mahabhbata (Ginza Saison Theatre). The great Indian epic, dramatised by Jean-Claude Carrière and staged (in English) by Peter Brook and his international troupe of actors from Paris, in three parts, performed either on successive evenings or on a single day. Full of enthralling images of earth, fire and water, but not without its longueurs, especially in the final part, which consists of a repetitive series of battle scenes. Ends July 27. (535 0555).

Hamlet (Dai-2 Factory). This studio production by Japan's most innovative director, Yukio Ninagawa, *makes use of two translations, one* old and one new, but Ninagawa has left it up to his actors to decide which one in use – and when. The strong visual concept for this imaginitive production derives from Japan's Doll Festival. Hamlet is played by the popular TV actor, Ken Watanabe. Ends June 29.

Knee Play (Awara Hall). Devised by Robert Wilson, the master of performance art, with music by David Byrne of Talking Heads. This production was created in 1984 and, according to the publicity hand-out, "usas the stage as a three-dimensional canvas to create poetic images." (Wed,Thurs) (209 7860).

NETHERLANDS

Amsterdam, Stadsschouwburg. The English speaking Theatre of Amsterdam continues its tenth anniversary summer season with Beyond Silence, a multi-faceted exploration of the female imagination.

MUSIC

LONDON

Philharmonia Orchestra conducted by Kurt Sanderling with Howard Shelley, piano. Mozart and Shostakovich. Royal Festival Hall (Mon). (928 3191).

City of London Sinfonia with John Wallace, trumpet. Handel, Albinoni, Mozart and Haydn. Barbican Hall (Wed). (638 8891).

Academy of St. Martin-in-the-Fields and chorus conducted by Sir Neville Marriner. Handel, Tippett and Mozart. Royal Festival Hall (Thur).

London Mozart Players conducted by Jane Glover with Stephen Bishop Kovacevich, piano. Dittersdorf, Mozart, Patterson and Haydn. Queen Elizabeth Hall (Thur). (928 3191).

TOKYO

Seiji Ozawa conducts the New Japan Philharmonic Orchestra playing Mozart and Beethoven. Showa Women's University Hitomi Memorial Hall, near Sangenjaya (Mon); Orff's Carmina Burana, Tokyo Bunka Kaikan (Wed). (499 1531).

Staatskapelle Berlin, conducted by Otmar Suitner. Mozart, Beethoven, Brahms (Mon). Mozart, Beethoven, Weber (Tue). Suntory Hall (235 1661).

Ruggiero Ricci (violin), Japan Philharmonic Orchestra, conducted by Jiri Belohlavek. Mozart, Bach, Mendelssohn. Suntory Hall (Wed). (234 5911).

Cristina Ortiz (piano), NHK Symphony Orchestra, conducted by Leonard Slatkin. Mozart, Sibelius. NHK Hall, Shibuya (Wed, Thur). (465 1781).

Wiener Kammermusiker. Mozart, Schubert. Tokyo Bunka Kaikan. (Thur) (496 0959).

PARIS

Hermann Prey recital, with Leonard Hokanson, piano. Théâtre de L'Athénée (Mon). (42.30.15.16).

Ensemble Orchestral de Paris, conducted by Emanuel Krivine, with Augustin Dumay, violin, playing Mozart. Salle Pleyel (Tue). (45.63.88.73).

Yo-Yo Ma, cello, Emmanuel Ax, piano. Beethoven sonatas. Théâtre des Champs Elysées (Tue, Wed). (47.20.36.37).

Les Arts Florissants, conducted by William Christie, with Charpentier's David and Jonathan in concert version. Paris Opéra (Tue,Thur). (47.42.57.50).

Orchestre de Paris, conducted by Erich Leinsdorf, with the Orchestre de Paris choir conducted by Arthur Oldhas. Brahms's German Requiem. Salle Pleyel (Thur). (45.63.07.96).

ITALY

Rome. Georges Prêtre conducts Beethoven at the Auditorium in Via Della Conciliazione (Mon, Tue). (6541044).

CHICAGO

Chicago Symphony, with Leonard Bernstein conducting Shostakovich. Orchestra Hall (Thur). (435 8122).

NETHERLANDS

Amsterdam. Karlheinz Stockhausen directing a concert performance of his Montag aus Licht, with the Zaans Cantata Choir and the Radio Budapest Children's choir. Concertgebouw (Mon).

Amsterdam. Schönberg Ensemble conducted by Reinbert de Leeuw, with Arleen Auger, soprano: Berg, Webern, Schönberg. Recital Hall (Tue). (718 345).

Amsterdam. The Netherlands Philharmonic Chamber Orchestra play Haydn and Brahms. Beurs (Stock Exchange, Damrak), Thur. (27.11.61).

The Hague. The Schönberg Ensemble, conducted by Reinbert de Leeuw, with Arleen Auger, soprano: Berg, Webern, Schönberg. Koninklijk Conservatorium (J. van Stolbergiaan 1), Wed. (814 251).

NEW YORK

Juilliard String Quartet, with Mahler, Babbitt, Janacek. Kaufmann Hall (Tue). (996 1100).

Hilash Wind Trio, Mozart, Bach Rossini, Gershwin. Juilliard Concerts at the IBM Garden Plaza, 56th & Madison (Wed 12.30 Free).

Philadelphia Orchestra, with Yuri Temirkanov conducting. André Watts piano. Britten, Shostakovich, Rachmaninov. Carnegie Hall (Wed). (247 7800).

New York Chamber Symphony, with Luciano Berio conducting and Mark Hill on oboe. Maderna, Berio, Corale, Manzoni. Kaufmann Hall (Thur). (996 1100).

OPERA AND BALLET

LONDON

Royal Opera (Covent Garden). Elijah Moshinsky's stark production of Macbeth returns with the original baritone, Renato Bruson, in the title role, Elizabeth Connell as Lady Macbeth, and Edward Downes as conductor. For what may be her farewell appearance here, Joan Sutherland, in rather muted form, leads a glossy, second-rate new production of Donizetti's Anna Bolena by John Pascoe. Richard Bonynge conducts, and the cast also includes Susanne Mentzer, Dimitri Kavrakos, and John Aler. In place of Jon Vickers, Anthony Roden takes the title role in the final performance of the Peter Grimes revival. Other cast members are Josephine Barstow (Ellen Orford) and Victor Braun (Balstrode), both superb. John Barker is an authoritative conductor of the Elijah Moshinsky production.

English National Opera (Coliseum). The company borrows David Pountney's Welsh National Opera production of Janacek's Cunning Little Vixen for its first Coliseum showing. Anne Dawson and Norman Bailey are vixen and forester and Mark Elder conducts. In place of the cancelled Ken Russell Tannhäuser, Fidelio is revived with members of the original Wagner cast – Kathryn Harries, Graeme Matheson-Bruce, Neil Howlett, and conductor Kees Bakels. Also in repertory: Nicholas Hytner's wholly delightful new production of The Magic Flute, with Thomas Randle, Susan Bullock, Nicholas Folwell, and John Connell; and the sparkling 1985 Hytner production of Handel's Xerxes, revived with the superb original cast, led by Ann Murray and Valerie Masterson.

Sadler's Wells. Rambert Dance Company season. (278 8916).

PARIS

Thaïs (Opéra Comique). Massenet, combing religious feelings with sensuality, conducted by Lawrence Foster in Nicolas Joel's production (47 42 57 50).

Paris Opera. A 15th century Spanish tragi-comedy is the basis of Maurice Ohana's modern opera about a famous procuress. Palais Garnier. (47.42.57.50).

Théâtre de la Ville. Matsek and his Ballet Cullberg with two programmes from Sweden. (42.74.22.77).

NEW YORK

New York City Ballet (New York State Theater). Celebrating its 40th anniversary, the company has commissioned 20 works, including five with new scores, that punctuate the Balanchine, Robbins, Martins repertory with pieces by Lar Lubovitch and Paul Taylor, among others. Ends June 26.

Royal Danish Ballet (Lincoln Center Opera House). In its week-long visit, the company performs August Bournonville's classic Abdallah and Napoli. (362 6000).

WASHINGTON

American Ballet Theater (Kennedy Center Opera House). The fortnight's visit includes new productions of Gaîté Parisienne, choreographed by Leonide Massine, and Raymonda choreographed by Mikhail Baryshnikov. Ends June 26. (254 3770).

WEST GERMANY

Berlin, Deutsche Oper. Salome is a Wieland Wagner production conducted by Heinrich Hollreiser. Gounod's Faust will have its première this week. It is produced by John Dew and led by Nelly Miricioiu, Kaja Borris, Peter Seiffert, Robert Hale and Andreas Schmidt. Also offered are Don Giovanni, Madame Butterfly and the ballet Coppelia. (34381).

Hamburg, Staatsoper. Manon Lescaut has a strong cast led by Raina Kabaivanska, Rachel Joselson and Franz Grundheber. Le Nozze di Figaro is a co-production with the Salzburg Mozarteum. Die Meistersinger von Nürnberg stars Bernd Weikl, Helen Donath, Kurt Moll, Gottfried Hornik and Klaus König. Il Barbiere di Siviglia rounds off the week. (351151).

Cologne, Opera. Tannhäuser stars Spas Wenkoff, brilliant in the title role. Ein Sommernachtstraum features Paul Esswood, Teresa Ringholz and Harald Stamm. Ariadne auf Naxos brings Daphne Evangelatos, Nadine Secunde and Scott Reeve together. John Pritchard conducts a cast which includes Barbara Daniels, Robert Bork and Lando Bartolini in Manon Lescaut. (20761).

Frankfurt, Oper. This week's highlight is Tosca, with Galina Savova, Luis Lima and Ingvar Wixell. Der Wildschütz is a well done repertoire performance. (25621).

München, Bayerische Staatsoper. Die Sache Makropoulos stars Hildegard Behrens, Astrid Varnay and Kenneth Riegel. Ponnelle's production of Rigoletto has Patricia Wise and Juan Pons in the principal role. Also in repertory, Un Ballo in Maschera with Suzanne Murphy, Eva Randova and Wolfgang Brendel, and Daphne with Marjana Lipovsek, Julia Conwell and Kurt Moll. (21851).

Bonn, Opera. Kurt Rydl repeats his much praised performance in the title role in Don Pasquale. Norma is revived with Mara Zampieri, outstanding in the title role. Der Liebestrank is a well done Gian Carlo del Monaco production.

ITALY

Rome, Teatro Dell'Opera. Pier Luigi Pizzi's production of Rossini's Mosè, conducted by Paolo Olmi, with Ruggero Raimondi, Ezio di Cesare (alternating with Martin Bolognesi), Simone Alaimo and Jenny Drivala. (46.17.55).

Milan, Teatro Alla Scala. Zeffirelli's production of La Bohème, conducted by Carlos Kleiber, with Mirella Freni, Peter Dvorsky, Wolfgang Brendel and Aldo Bramante. Roberto de Simone's production of Nabucco, conducted by Riccardo Muti with Ghena Dimitrova, Paata Burchuladze, Raquel Pierotti, Giorgio Zancanaro and Ezio di Cesare. (80.91.26).

Genoa, Teatro Margherita. Die Walküre, in a new production by Peter Werhahn, designed by Michael Scott and conducted by Christian Thielemann. The cast includes Peter Hofmann and William Pell (Siegmund), Peter Meven (Hunding), Anthony Raffell (Wotan), Mari Anne Häggander (Sieglinde) and Olivia Stapp (Brünnhilde). (589.329).

Naples, Teatro san Carlo. Orfeo e Euridice, with Lucia Valentini Terrani and Valeria Esposito conducted by Gianluigi Gelmetti, in Alverto Fassini's production, with sets and costumes by Pasquale Grossi. (417.144).

Florence, Maggio Musicale Fiorentino, Teatro Della Pergola. Three ballets by Ivan Marko to music by Maurice Ravel: La Valse, Daphnis et Chloe and Bolero, with scenery and costumes by Judith Gombar. (277 9236).

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera with the Dutch première of Nixon in China by John Adams, with libretto by Alice Goodman. Directed by Peter Sellars and designed by Adrianne Lobel, Edo de Waart conducts the Holland Festival Orchestra with James Maddalena as Richard Nixon, Carolann Page as Pat, Sanford Sylvan as Chou En-Lai and John Duykers as Mao Tse-tung (Mon, Wed). The National Ballet with Four Schumann Pieces (Van Manen/Schumann) and the world première of new ballets by Nile Christe and Edouard Lock (Thur). (255 455).

Amsterdam, Stadsschouwburg. Michael Clark and Company in I Am Curious Orange (Mon). (24.23.11).

Amsterdam, Soeterijn (Linnaeusstraat 2). Music and dance from Taiwan (Tue, Wed). (568 8500).

Exhibitions

LONDON

The Royal Academy. Cezanne – The Early Years 1859-72. A concentrated and illuminating study of the formative period of one of the greatest artists of the 19th century, who was also one of the great seminal figures of the modern movement. Although he came to greatness in his middle and later years, his early period, far from being inconsiderable as had been generally supposed, is now revealed in all its complexity and contradictory quality, with many great works among the youthful experiments and failures. Ends August 21.

The Royal Academy Summer Exhibition. The 220th Summer Exhibition. Still the largest open exhibition of current painting, sculpture, prints and architecture in the world. At 1,261 exhibits, chosen from a submission of something above 12,000, the show is a little smaller than usual, but as dense and bizarre as ever, with as many good things in be discovered, a gratifyingly large number supplied by the Academicians themselves. Daily until August 7.

Barbican Art Gallery. Art or Nature. A thorough survey of French photography in the 20th century, as part of the "Images de France" Festival. The exhibition is especially strong on the great individual photographers of the period, such as Kertesz, Cartier-Bresson, Brassai and Atget. End July 17.

The Hayward Gallery (two exhibitions). Angry Penguins. A fascinating study of the group of *young* painters active in Melbourne during and just after the Second World War. Sydney Nolan, Arthur Boyd, John Perceval and Albert Tucker are all shown in impressive depth. Also: Paintings from the Phillips Collectino in Washington. An enthralling selection from one of the great private collections of modern times. Its scope extends from the 16th century to the present day, from El Greco, through Goya and Ingres in Francis Bacon – the collection is still not closed. But its great strength is in Impressionism and Post-Impressionism – Renoir and Cezanne, Braque and Picasso, Bonnard and Matisse. Both shows until August 14.

British Museum. Ukiyoe – Images of Unknown Japan. This large exhibition of exquisite quality, brings to us, through the work of the greatest masters of the wood-block print, the magical "Floating World" of pleasure and the senses that was the city of Edo (modern Tokyo) in the time of the Shoguns – from the 1600s until the 1860s, when Japan was closed in the outside world. Until August 14.

National Portrait Gallery. Paolozzi Portraits. A small but intriguing show of a body of recent work on a subject that has fascinated the Scottish sculptor, Eduardo Paolozzi, throughout his long international career. Of particular interest are the self-portraits, and the several working studies of the architect, Richard Rogers. Until August 7.

NETHERLANDS

Amsterdam, Tropenmuseum. The arts and crafts of Indonesia, illustrated with more than 500 objects in bronze, bamboo, textiles and precious metals spanning 2,000 years of cultural history. Ends August 21.

Amsterdam, Rijksmuseum. Two hundred of the printroom's finest 15th and 16th century ornamental prints, with designs for jewellery, weapons and furniture. Ends June 19.

Amsterdam, Rijksmuseum (rear entrance). Divine Bronzes (some no more than 5cm high) illustrate the stylistic development of Indo-Javanese religious images from the 7th in the 16th centures and their role in transmitting culture from India and South-East Asia to Indonesia. Ends July 31.

PARIS

Galérie Schmit. French masters of the 19th and 20th century. The discreetly luxurious three-storey gallery plays host, yet again, to an exhibition spanning a period rich with creativity and diversity. There is a darkly romantic portrait by Delacroix and an almost abstract Nicolas de Stael landscape. There is a rare Pissarro portrait of his son, Lucien, seated against a window and an early Picasso scene in a restaurant. A still life with a hyacinth and apples by Gauguin surprises by its tenderness, as does Corot's young, Italian woman with a red shawl. 396, Rua Saint-Honoré (42.60.36.36). Closed Sundays and lunchtime. Ends July 16.

Continued on Page 23

ARTS

Cinema/Nigel Andrews

Sedate nostalgia does not win a Waugh

A Handful Of Dust (PG) Cannon Shaftesbury Avenue, from next Tuesday
Dogs In Space (18) Renoir, Gate Notting Hill, Cannon Oxford Street
Cop (18) Cannon Panton Street
Bright Lights, Big City (18) Leicester Square Theatre
Hello Again (PG) Warner West End, Cannons Haymarket and Oxford Street

Kristin Scott Thomas and Rupert Graves in "A Handful of Dust"

It was only a matter of time. Fast running out of E.M. Forster novels, the British cinema (*belle epoque* and boaters department) has now declared Waugh. *A Handful Of Dust* is directed and co-scripted by Charles Sturridge of TV's *Brideshead Revisited*. Battening on Evelyn Waugh's arguably best novel, a sad and savagely funny picture of loneliness amid high-society caperings, Sturridge brings us a movie that *is the nearest thing to an artistic* incubus I have ever seen.

You cannot say it is good. You cannot say it is bad. It has no independent life of its own: it merely plants itself on Waugh's novel and sets about sucking out its soul. The good news is that no Waugh-lover can complain of infidelity. James Wilby (Maurice of *Maurice*) is hero Tony to the T: Waugh's ineffectual landed gent, born to be cuckolded by his bored wife Brenda (Kristin Scott Thomas) who keeps scooting off to London to mate with the frightful John Beaver (Rupert Graves). *Meanwhile poor* Tony, Waugh's definitive (self-) portrait of male paranoia, nurses his loneliness in his Gothic pile in the country, then loses his son in a riding accident, then loses Brenda to the divorce lawyers.

Finally he gets away from it all by going to South America. But even here he falls ill and meets Alec Guinness as the grim Mr Todd (alias Death), who holds him captive demanding endless Dickens readings. (Even Waugh's vision of eternity has a satiric pay-off.)

Waugh tells this story with a dry, malicious, stoical wit. Plucking his title from T.S. Eliot's *The Waste Land* ("I will show you fear in a handful of dust"), the novel sees mortality in everything: in love, wealth, hope, sanity, and in a between-wars Britain of champagne and hedonism. The events of the story itself are neutral, even (until the surreal Latin American coda) banal. *The book's life is in the* hidden black mischief of the writing.

The movie sits on the novel sucking out the story and characters and vainly trying to draw forth the work's vital essence. But where Waugh tells his tale with a cunning mock blandness, using wit and irony as guerrilla weapons, the movie simply *is* bland. It purrs decorously along, Merchant-Ivory cinema without the Merchant-Ivory visual bravura. *And once you have scooped* the cream off the acting, chiefly Wilby's touching, fluffy Tony and Kristin Scott Thomas's drawling vixen Brenda, even the performances disappoint. Graves's Beaver is a vapid, colourless young stud – where is Waugh's ripely odious freeloader? Anjelica Huston and Pip Torrens contribute dismayingly blank cameos as family friends. And even Guinness has chosen to handicap himself with a peculiar accent. (What ever is it meant to be? Irish-Barbadian?).

For the nostalgia crowd who lapped up *Brideshead*, it will all probably do. The sets and costumes are nice. The pace is sedate. And there is no sex and violence. But then that is really the whole problem. The novel is full of sex and violence: never stated but darkly, sardonically, palpably present.

★

Nostalgia comes in all shapes, *sizes and convulsions. It can even* come, like Richard Lowenstein's *Dogs In Space*, from a 28-year-old Australian director hardly old enough to be nostalgic about anything. This weird movie features no dogs and no space: just two hours of hairy happenings and non-happenings in a Melbourne hippies' squat circa 1979.

Five minutes in, we begin to get the message. These characters living on drugs and rock music are Saints of the Subculture. *Look at them. Sam* (Michael Hutchence) is a nice-looking drop-out with Christ-length hair whose only sins are sexual honesty (he sleeps around and never mind his girlfriend's tantrums) and an inability to get up from the floor without a fix. And then there are Tim (Nique Needles) and Jenny and Christopher and the rest, all lovable layabouts who drop drugs, eat from tins, quarrel, rap and sleep: waiting with seraphic patience the while for the sky to break over their heads – symbolised by bits of Skylab falling over Melbourne – and the era of Peace and Love to end. (There is even a sheep wandering in and out: the cinema's oldest and hoariest symbol of religious benediction). While rock music thumps its wall-to-wall anarchy, the storyless story unfolds. Until its relatively action-packed climax (sofa and telly-burning in the night street as eviction looms) nothing "happens:" which is itself a feat of sorts. But admiration for the film's narrative minimalism is outweighed by dismay at its puny, sentimental message. Lowenstein wants to call back yesterday and climb into the womb of the Hippy Era. But they do not make wombs like that any more. And they do not even make films like this any more: it resembles a nasty collision between the creative genes of Dennis Hopper and Robert Altman.

★

James B. Harris's *Cop* is the best film of the week. We know most of the ingredients already from the Dirty Harry Thriller School. The renegade police Sergeant (James Woods) who bends or flouts the rules to get his man; the trail of carnage left by a psychotic killer; the marriage (Woods's) broken up by police-work pressures; the final cornering of the villain where guns speak louder than the reading of prisoner's rights.

But adapting a novel by James Ellroy, writer-director Harris, formerly a Stanley Kubrick associate (he produced *Paths Of Glory* and *Lolita*), hurls these ingredients into his private blender. They spin around at dizzying speed to produce extra-vivid colours and flavours. When not feeding us prime spoonfuls of black comedy – like the bedtime stories Woods tells his tiny daughter from his own drug-busting files ("Tell me how you got this scumbag, Daddy" she chimes) – the film has wonderful fun concealing one flavour inside another. When feminist poet Lesley Anne Warren is roped in to give evidence (former schoolmate of the killer, she may be his next victim), her character reveals first ideological dogmatism, then romantic winsomeness, finally fear, panic and violence.

Energising the whole film is Woods himself. The weasel-faced dynamo of *Salvador* and *Best Seller* scurries about Los Angeles, cutting procedural corners, cracking cynical bons mots and bedding obliging witnesses: all as if the crusade for justice were scarcely less sordid than the crimes it pursues. *Cop* suggests we live in a bad, bad world, whichever side we operate on. But it has huge, huge fun delivering the message.

★

The week's two Hollywood comedies are advance warnings of the silly season. *Bright Lights, Big City* turns Jay McInerney's free-wheeling comic novel of cocaine and careerism into a ghastly movie misfire. New York yuppie Michael J. Fox, when not living the pace that kills in the discos and drug parties, lives another kind of pace that kills in the slowcoach fact-checking department of a prestigious New York magazine (meant to be the New Yorker).

Can he adjust his life to a decent, steady pace? Will his dashing mentor and alter ego Kiefer Sutherland help or hinder? And between scoops of cocaine why does he suffer from these flashbacks to his Mum's deathbed? She is Dianne Wiest, suffering bravely through the mawkish dialogue as if there might at least be an Oscar at the end of it all.

The film is directed by James Bridges, of *The China Syndrome* and *Perfect*, as if he is packaging pop videos. It is flashy, noisy and like animated wallpaper. It never catches the wit of the original, and it uses the reserves of teen-age hygiene in Fox's persona to ready us for a moralistic ending in which all those naughty drugs are forsworn and every good boy comes to realise he loved his mother.

Hello Again is short on moralising but long on whimsy. Scatterbrained housewife Shelley Long chokes and dies on a South Korean chickenball and is brought back to life a year later by her sister (Judith Ivey), a nutty spiritualist. Her return hardly seems worth the trouble. Her husband has remarried, her sister is still tediously nutty and she is courted by a confused-looking Doctor Gabriel Byrne. (I have never seen an actor look so much as if he has signed for the wrong film). Susan Isaacs wrote and Frank Perry directed, and spiritualists may apply for the job of bringing it all back to life.

Driving Miss Daisy/Apollo

Michael Coveney

It's "let's hear it for the oldsters" time again in the West End, as Wendy Hiller drifts elegantly into view as a mean old Jewish matriarch in Atlanta, Georgia, unable to drive her car without crashing it and unwilling to take the chauffeur provided by her businessman son.

Alfred Uhry's play is a neat and sentimental variation on the *I'm Not Rappaport* format of a couple of seasons back, and in the same theatre. It is devised to demonstrate that grace and laughter are not inimical to senility, that growing old in a home has its compensations (the chauffeur comes and spoon-feeds you Thanksgiving pie, for a start) and that there's nothing unduly ageist about celebrating the mumbling, crumbling hip generation.

The play won a Pulitzer prize this year but, given the state of new work on and off-Broadway (where the piece is still running), you have to write a brilliantly bad play not to win one these days. Mr Uhry is certainly an efficient operator. His story concentrates, like *Rappaport*, on the bond between two feisty geriatrics, one black, one white.

Dame Wendy plays the white one. Daisy Werthan is a crotchety passenger for Clarke Peters's proud and sinewy, but inevitably deferential, driver, Hoke Coleburn. She starts by suspecting him of pinching a tin of salmon and ends by worrying about his eyesight. Their growing friendship is composed in a series of stop-start scenes, not all of them rounded with sufficient flourish, against a deliquescent inky blue background, designed by Thomas Lynch, that keeps changing like a Rorschach test. Genteel string music raises the tone, too, as we speed across the decades from 1948 to 1973.

The third character, Daisy's son Boolie, is played without fuss or much bother by Barry Foster as a pliable go-between, employing Hoke as a buffer between his own filial duty and the frightful-sounding unseen wife Frosine, on whom Miss Daisy memorably pronounces with frosty disdain: "If I had a nose like that, I wouldn't go around saying Merry Christmas to everyone." The lack of Jewishness in the production and playing robs the line of its full impact, just as it leave Mr Foster high and dry with Boolie.

Time compression means scant period detail (the play runs, without interval, for 90 minutes) beyond passing reference to *My Fair Lady* in the 1950s and Martin Luther King in the 1960s. Daisy buys tickets for a King dinner but omits to invite the chauffeur until they're on their way. Things have changed, Hoke reflects darkly, I mean gloomily, but not that much. Jews and blacks are still divided in America, as we saw in the recent Jesse Jackson Democratic nomination campaign, though there's a warming moment of common woe when the synagogue is burned down.

Ron Lagomarsino's production is economically handsome, changes of location indicated by swiftly sliding furniture and, for the car, round stools. I am not sure enough is made of that back-seat relationship conducted through a driver's mirror. But Mr Peters, a fine and fluid physical performer, as we well know, reveals unsuspected emotional depths.

Dame Wendy is more scrubbed and un-mannered than usual. She wisely eschews to play Jewish, redefining the role's contempt and impatience in her own inimitable, very funny, haughty manner. Of course she persists in resembling the old Queen Mary, but her nonagenarian decline, wispy on a walking frame, is touchingly done. As with Paul Scofield lamely "putting on the Ritz" in *Rappaport*, here is another last draught of the good old Zimmer whine.

Alastair Muir

Wendy Hiller and Clarke Peters

Dark Elegies/Sadler's Wells

Clement Crisp

The Rambert Dance Company is dedicating its new season to the memory of Antony Tudor. Tudor, who died last year, was Marie Rambert's second great choreographic discovery (the first was Ashton), but it is ironic that his estate is seeking to injunct the Rambert troupe from performing a masterwork that he created for them in 1937, *Dark Elegies*. The reasons concern the version of the ballet now presented by Rambert – which claims direct, albeit uncorrected, descent from the first staging – and that produced by Tudor after he went to America in 1939, preferred by his heirs.

It would be good to be able to report that the presentation we saw on Wednesday vindicated the Rambert company's decision to ignore the Tudor estate's wishes. Alas, it had certain significant factors militating against its success. The original Nadia Benois backcloths, so apt in establishing atmosphere, have been dispensed with, and the ballet is played in bleak, blank lighting. The present ensemble, skilled in dealing with the unemotional choreographic styles of Cunningham and Richard Alston, seems to me lacking in that psychic density, that controlled humanity, which was once essential in making real the grief of a community suffering appalling bereavement. The resultant performance was careful, as blanched as the lighting, unconvincing.

The evening began well, with a clean and sharply delineated account of Alston's *Dangerous Liaisons*, the dance cut pure and bright by its cast, and with the first London showing of Merce Cunningham's *Septet*. This is newly acquired, but dates from 1953, and shows the choreographer responding to Erik Satie's faux-naif piano writing with dances no less sly and formally exact. It has little jokes, little solemnities, and a directness of style that is very attractive.

Would that anything similar could be said about the novelty of the evening, David Gordon's *Mates*. Mr Gordon, New York based, "constructs" his theatre pieces, and this latest offering looks as if none of the joints in the construction is working, and none of its underpinning is holding up. A romp for five women and three men, in oh such madcap garb by Antony McDonald, it finds its cast whisking about the stage, tripping up, and occasionally joining forces to the accompaniment of a ratatouille of Argentinian tangos, Liszt piano music, and a bizarre and novelettish narration on tape. I found the piece incomprehensible, deeply unfunny, and unrelentingly tiresome.

Iphigénie en Tauride/Châtelet, Paris

Ronald Crichton

The Théâtre Musical de Paris at the Châtelet made a notable contribution to the first Festival de Paris, a municipal affair concentrating this year on Italy, by reviving one of those operas every buff knows about from history books but few can have expected even nowadays actually to see on the stage.

The Teatro Petruzzelli at Bari, the Apulian birthplace of the composer Niccolò Piccinni whom Paris turned into an ineffectual and indeed unwilling rival to Gluck, recently staged Piccinni's *Iphigénie en Tauride*. As a stunt, both composers were persuaded to write their own version – same story, different librettos. Gluck's was ready in 1779; Paris had to wait another two years for the rival version to be performed like the first, at the Opéra. Gluck's *Iphigénie* is still greatly and rightly admired. Piccinni's gathers dust. I hope it isn't too unjust to the various authorities responsible for bringing the production to Paris, to value the experience mainly as an illuminating postscript to the Gluck celebrations, a demonstration of his overwhelming superiority.

To judge from this example, the fertile Piccinni was a competent, ordinary composer, mortally dull, in whom the fires of drama burned low. Some exception may be made for the scenes with Iphigénie, Oreste and Pylade in act 3 – but you would need to be an even duller dog than this one not to respond to the drama at that point. Some of the vocal writing (for instance Iphigénie's big solo scene at the opening of that same act) has a kind of wan, unmemorable melodiousness. The overture raises hopes which remain unfulfilled.

The opera was mounted by producer Luca Ronconi and designer Carlo Diappi with a generosity at which one can only wonder, thinking of the cheese-paring which such a work would almost certainly suffer if produced across the Channel. There was a splendid framework of crumbling, Piranesi baroque masonry, rocks and sea-coast, with an intriguing mixture of artificial waves and real water lapping the Scythian shores. The lighting by Sergio Rossi, though choice, was dim, so one tended to peer through the gauze at landscape and architecture rather that at the singers' faces. One episode unfortunately all too visible was the killing of King Thoas by Pylade and the Greek soldiery. The chorus of the Chapelle Royale, expert in their line, are not I fancy accustomed to bloody deeds. They set about this one with remarkable lack of zeal.

One must admire a soprano of the distinction and popularity of Katia Ricciarelli, ready to give her time to learning for a few performances long leading roles in forgotten operas – and Piccinni's *Iphigénie* is infinitely less rewarding than, say, Rossini's *Armida*, which she sang last year in Bonn. The vocal line took her too often for comfort to the upper limits of her range, and the abundant accompanied recitative revealed a hard struggle with the French language. Needless to say, Miss Ricciarelli looked splendid.

Ludwig Baumann was the baritone Oreste, Aldo Bertolo the tenor Pylade. It is possible, though doubtful, that stronger assumptions of these roles might have revealed more clout in the drama. Alberto Noli was Thoas, who has more to do than his opposite number in Gluck and is perhaps consequently less effective. The evening's freshest singing came at the end, from the aerially suspended Diana of Lucia Naviglio, a bright soprano worth watching. Donato Renzetti conducted the Teatro Petruzzelli Orchestra from Bari. He kept things moving, but it felt a long evening, for which one remains paradoxically genuinely grateful.

Philharmonia/Festival Hall

Andrew Clements

Different pianists may evoke many adjectives from Beethoven's Fourth Piano Concerto but "bracing" is not usually among them. Yet Alicia de Larrocha's account on Wednesday with the Philharmonia was precisely that – consistently bright-toned, rhythmically piquant, and never attempting to seek out the work's reposeful moments for their own sake. It was not by any means the all-encompassing, universalising view of the work that one would construct as a notional ideal, but as an antidote for too many palely loitering performances in the concert hall it was perfectly calculated.

Its deliberate lack of conventional kinship was emphasised in Larrocha's choice of cadenzas. That for the first movement could just about have been written by Beethoven – he wrote three and only two of those are heard regularly – that for the finale most certainly could not. They turned out to have been the work of Reinecke; worth hearing, but only in such an unexpected context as this.

Esa-Pekka Salonen's accompaniment to the first movement suggested that he had been expecting a more conventional, relaxed account – he had laid out the exposition with almost soporific amplitude. The soloist's energy gradually stirred him into life, however, and by the finale it had become a dextrous and valid partnership. But then for much of Stravinsky's *Firebird* a lack of impulsion, and a sheer inability to justify the music-making in any convincing way predominated.

In its original 1911 scoring the complete ballet is heard relatively rarely in the concert hall. It requires great theatrical flair, a sense of occasion, to bring it off, and Salonen did not hint at an involvement on that level. The *Philharmonia* played exceptionally well for him, with some outstanding wind solos, but too many textures were generalised, and their Rimskian sheen was allowed to dull. Tempi swerved between the over-measured (in the opening sections) and the dangerously unstable (in the moments surrounding the Infernal Dance).

Continued from Page 22

Pavillon Des Arts. The magnificence of silversmiths' work in India during the reign of the Moghuls testifies to their love of luxury. Everyday utensils like scissors, knives, betel nut and cosmetics boxes are chiselled and adorned with filigree open-work as richly as ceremonial objects and armour. 101, Rue Rambuteau (42.33.82.50) Closed Mondays and holidays. Ends July 17.

Galerie Odermatt-Cazeau. Guillaumin's deep blue of the Mediterranean, framed by green pine trees and orange earth, entices the passer-by into an eclectic exhibition of some 50 works by the masters of the 19th and 20th century. A monumental 1887 wooden sculpture by Zadkin watches, totem-like, over a representation of a seated woman by Picasso, a pastel of two dancers by Degas, and another by Gauguin, showing two boys fighting. Monet is there with a Giverny landscape, and an unusually structured Bonnard projects a colourful view of Saint-Tropez through a gap between two tall buildings. 85 Bis, Rue Faubourg Saint-Honoré. (42.66.92.58) Ends July 30.

Daniel Malingue Gallery. Baltasar Lobo's work is a hymn to the eternal woman. In perfect harmony with the material he uses, the Spanish sculptor celebrates with equal mastery the gracefully slender body of a young girl and the full-blown beauty of a mother playing with her child. The purity of line of the smooth bronze comes near to abstraction at times, yet the sensuous femininity is always there. 26 Avenue Matignon (42.66.60.33). Ends July 9.

VIENNA

Rathaus. Wien 1938. Vienna's city hall is commemorating the Anschluss, the German annexation of Austria in 1938. A large and courageous exhibition which shows how Austrians reacted to Hitler's march into Vienna and the eclipse and eventual destruction of the Jewish culture. Ends June 30.

NEW YORK

American Craft Museum. An ambitious show that traces the history of American architecture back to the turn of the century and emphasises the work of artists like Tiffany, Lawrie and Louise Nevelson who were commissioned to add art to the architecture. Ends Sept 4.

Pierpont Morgan Library. Over 300 items from the life and art of Beatrix Potter show the evolution of the artist and her work. Included are the illustrated letter, discovered only months ago, in Noel Moore that became the basis of Peter Rabbit and the entire sequence of 22 watercolours from The Tailor of Gloucester. Lent by the Tate Gallery. Ends Aug. 21

National Gallery. To mark the 350th anniversary of the first Swedish colony in North America, a royal treasury covering four Swedish monarchs in the 16th and 17th centuries will show Sweden as a resplendent and aggressive world power through objects and 100 paintings on loan from the Royal Treasury, the national museum and the royal collections. East Wing. Ends Sept 5.

CHICAGO

Art Institute. A centenary retrospective of the work of Georgia O'Keeffe evokes the world of flowers and skulls in the luminous light of New Mexico. Ends June 26.

WASHINGTON

National Gallery. More than 60 masterworks from superb 16th-18th century collection of Munich's Alte Pinakothek include paintings by Rubens, Rembrandt, Titian, El Greco and Van Dyck. Ends Sept 5.

ITALY

Venice, Palazzo Grassi. The Phoenicians. The fourth major exhibition at Fiat's imposing arts' centre on the Grand Canal attempts to give a complete picture of this extraordinary people, about whom few know more than that they dominated trade in the Mediterranean for over 1,000 years before their capital, Carthage, was finally destroyed by the Romans in 146 BC. Organised by Professor Sabatino Moscati and sponsored by the Accademia dei Lincei in Rome, the exhibition has been given a highly theatrical presentation by the architect Gae Aulenti. Scenographic project at odd angles from a pile of pink sand on the ground floor of the Palazzo; in an upstairs room, model ships stand immobile in a rippling artificial lake, and a huge polystyrene wave engulfs a Phoenician wreck. Not particularly legible graffiti run across the walls – comments on the Phoenicians by contemporaries and later writers. Many of the 1,200 objects displayed (gold and silver jewellery, statues and reliefs in terracotta, bronze and ivory) are extraordinarily beautiful, and the 765-page catalogue, published by Bompiani, is excellent. Until Nov 6.

Venice, Fondazione Cini. Paolo Veronese, an intelligently presented exhibition to mark the fourth centenary of his death, two-thirds of which is devoted to his preparatory studies for his major works in Venice. The last few rooms contain 22 paintings, including several masterpieces lent by American and European Museums. Isola di S. Giorgio. Until July 10.

Rome, Museo Del Folklore. Goethe in Italy, organised by the Goethe Museum in Dusseldorf and the Arbeitskreis Selbstandiger Kultur-Institute in Bonn. It includes a mixed collection of objects connected with Goethe's two visits to Italy (1786-1788 and 1790) and gives a vivid idea of the essential equipment for a late 18th century traveller in southern Europe (a pair of pistols, tables of exchange rates, folding writing-desk, and maps of the scanty post-chaise routes, and of the wildness of the terrain covered). On show is a copy of his friend Tischbein's portrait, Goethe in the Roman Countryside and engravings, drawings and watercolours by Piranesi, Hackert, Kniep, Pinelli and Goethe. Piazza S. Egidio. Ends July 8.

WEST GERMANY

Cologne. Romisch-Germanisches Museum. Caesar's Glass, the most important display of Roman glass ever staged. It covers the period from the first century BC to the 6th century AD. The 182 pieces are mainly goods from everyday life. The show is a joint project between the Corning Museum of Glass, New York, the British Museum, London, and the Romisch-Germanisches Museum in Cologne. The exhibition is sponsored by Olivetti and runs until August 28.

Darmstadt, Mathildenhohe. That's Jazz – the sound of the 20th century. Darmstadt presents hundreds of pictures, posters and documents from the history of jazz and its roots in slavery. The exhibition includes instruments used by jazz personalities like Louis Armstrong, Dave Brubeck, Duke Ellington, Count Basie and Billie Holiday. The visitor can also watch historic films or listen to music in special rooms. There is a reconstruction of a New Orleans Salon, a studio from Chicago in the 1920s as well as an illegal Berlin Studio from the Nazi period when jazz was banned. There are other items like a street sign from New York Avenue, a painting of Amos Douglas, which shows the advance of black people through music, the horn on which the young Louis Armstrong practised, and a curious Sound Machine from the 40's. There are about two concerts a week in a special room with 350 seats.

TOKYO

Japan Folkcraft Museum. Komaba: Prints by Munakata Shiko and Pottery by Kawai Kanjiro, a special exhibition commemorating the centenary of the birth of the founder of the Japanese folkcraft movement, Soetsu Yanagi. Includes works by the movement's two leading practitioners, Kanjiro Kawai and Shiko Munakata. Munakata's woodblock prints are bold and vertiginous (he was near-sighted from youth onwards); while Kawai's pottery is distinguished by its brightly coloured glazes. This superb collection of crafts from all over Japan is housed in the replica of an old farmhouse building which accords perfectly with the unself-conscious beauty of the objects. Nihon Mingeikan. Closed Mondays. Ends June 26.

Tokyo National Museum of Modern Art. Rene Magritte. Magritte's paintings of dapper little men in dark suits and bowler hats and floating-like clouds should appeal to all Japanese "salarymen" who dream of escape from the daily grind. Takebashi. Closed Mondays. Ends July 10.

SWITZERLAND

Martigny. Fondation Gianadda. From Raphael to Corot. The masterpieces on loan from Sao Paulo's Museum of Art cover a greater stretch of European art than the title suggests. Beginning with a 13th century hieratic Madonna, they continue with Jerome Bosch's obsessive fantasies of Saint Anthony's temptation. A handsome young aristocrat by Lucas Cranach is next to the towering black figure of Count Olivares by Velazquez. There is a moving self-portrait by Rembrandt and a portrait of a Cardinal in his red robes by Goya. There is a Chardin and a Fragonard, Reynolds and Gainsborough, while the fashionable chronicler of the Belle Epoque Giovanni Boldini, closes the exhibition. (026) 23978. Open all day. Ends June 26.

Saleroom/Susan Moore

Record for Nolde

Wednesday's sale of German 20th century art, the second sale staged by Sotheby's in Munich, drew a number of works never before seen on the market or exhibited – and two (unrelated) auction records.

Emil Nolde's vibrant "Blumengarten (Bonde)", densely and expressively painted in rich reds, violet and greens, far exceeded expectations by selling to a private collector for DM 1.815m or £583,132. It became the most expensive 20th century painting ever sold in Germany, and established a record price for the artist. (Another flower garden, this time with a woman in red, realised £470,000 at Sotheby's in London last year.)

Nolde sold well throughout the sale. A Fauvist still-life doubled its estimate by selling for DM 418,000 (£134,297), as did a ravishing watercolour of colossal red poppies. This smallish, unknown work emerged from a private collection to sell for DM 396,000 (£127,229).

The other record of the sale was also a watercolour: George Grosz's bizarre "Longings on an Office Clerk," coloured in a high, primary palette. Estimated at DM 90-120,000, it realised a substantial DM 286,000 or £91,887. Another surprise was Alexey Jawlensky's abstract head which a German collector secured for DM 451,000 (£144,900). Otto Dix's "Sunday Walk," sold by a private Swiss collector but widely published, sold on target for DM 495,000.

All the top lots sold to private collectors, although dealers comprised about half of the saleroom. The sale totalled DM 7,777,660 or £2,498,846, some DM 2m up on last October's sale, with 18 per cent failing to sell.

At Sotheby's in New York, a monumental Galle cameo glass lamp stole the limelight in Wednesday's 20th century decorative arts sale. Of lemon-yellow glass overlaid with leafy wisteria in various shades of purple and lavender and blue, it found a new home for $203,500 (£110,263). Another Galle cameo-glass lamp sold on target for $110,000. The sale totalled $1,381,600 or £755,385, with only 6 per cent bought in.

The continental furniture and works of art at Christie's yesterday proved less desirable. Not including the carpets sold in the afternoon session, the sale realised £414,766 with nearly 30 per cent bought in. Top lot was a handsome walnut "cassettone" or bombe bureau, dating from mid-18th century Lombardy. This "property of a nobleman" was estimated at £8-10,000, and sold to a private bidder for £39,600.

Sotheby's sold the first part of the Dent archives yesterday, comprising illustrated children's books and related drawings. Dealer Chris Beetles paid the top price of £13,750 for a series of 119 ink drawings by C.E. Brock illustrating Lamb's *Essays*.

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Mr Dukakis sets the pace

IT IS DEBATABLE whether it is harder to win a presidential nomination in the US or the presidency itself. But Mr Michael Dukakis, the Democratic Governor of Massachusetts, has just won the first and, according to all available evidence, has a measurable lead in the race for the second against Vice President George Bush for the Republicans.

This is s remarkable achievement, not so much historically, because men have come from nowhere before to take a nomination and even the presidency, but very much in the context of this year's politics. It is not so long since the Democratic field was being derisively dismissed as the seven dwarfs, representatives of a party so riven ideologically and so devoid of clear leadership as to be incapable of grasping a clear opportunity to wrest back the White House in the post-Reagan era.

There are still gaps in the public knowledge of Mr Dukakis and several internal party divisions to be reconciled, particularly with the Rev Jesse Jackson. This is now focused on the choice of a running mate, with Mr Jackson making it clear that a number of "safe" choices, such as Senator Sam Nunn of Georgia, are unacceptable to the progressive forces he represents.

Determination

But what impresses most about Mr Dukakis is that be has reached his present state by a determination to stick to the reasonable middle ground, to play the game straight and to respect, not demean, his opponents.

He may have done this in a rather flat, uninspiring way, purveying at best an image of managerial *competence*. *Yet this may* be what the public wants after the roller coaster ride of the Reagan years. Certainly he has presented a difficult target. Even Mr Jackson, his obvious antithesis, paid him the very considerable compliment on primary night in Los Angeles by saying that the two of them had demonstrated that it was possible "compete without conflict and differ without division."

Whether this dignity can be *maintained in the weeks* before the convention in Atlanta next month, let alone in the campaign proper, is another matter. But the good clean fight has helped the Democrats enormously in the short term. It has left Mr Bush sitting mostly on the sidelines, frustrated in his expectation that the opposition would tear itself apart and unable to generate much enthusiasm for or interest in his own effort.

Incumbent vice presidents alwsys have a rough row to hoe; the last one to be elected to the White House was Martin van Buren in 1832. (Sitting governors, it should be noted, have not done much better, the most recent successful accession being FDR's in 1932.) But at this stage of the race Mr Bush seems worse off than was Richard Nixon in 1960 and not much ahead of Hubert Humphrey in 1968.

Identity

His problem is one of identity. He wants the Reagan mantle, but needs to shed some of its underclothes in addressing critical domestic issues of the moment like deficits, drugs, education and welfare. The Reagan rapprochement with tha Soviet Union seems to make Mr Bush uneasy, but his caution sounds false coming from a man believed to be at heart an advocate of détente. The net result is a rather confusing melange of pronouncements and a growing belief in the electorate that Mr Dukakis might be better equipped to handle awkward issues.

For both men, the battle, as has long been obvious, is going to be for the middle ground. It is, therefore, not surprising to hear Mr Bush describe Mr Dukakis as a McGovern Massachusetts liberal, preaching "gloom and doom," and for Mr Dukakis to counter by claiming that the Republican deficits hardly make Mr Bush an orthodox conservative. However, if the campaign degenerates into artificial name-calling it will not be edifying.

Nor is this the path to success. For the record shows that, in a presidential election, Americans like to be given a sense of where the country is going. This was Mr Reagan'a knack, just as it was John Kennedy's and Franklin Roosevelt's, and it can be demonstrated in various ways. The next task for Mr Dukakis, Mr Bush and their respective running mates is to prove they have it, too.

Tackling Africa's debt crisis

IT HAS LONG been clear that Africa's economic crisis demands urgent and radical measures. The strains of servicing the continent's external debt of $200bn are jeopardising the far-reaching economic reforms which over 30 countries have introduced.

The response to the crisis by Western governments and institutions has not been insignificant. But it has been slow in addressing some fundamental issues. Thus President Mitterrand's unilateral offer this week to the world's poorest countries of a package of partial debt cancellation, accompanied by longer rescheduling terms and preferential interest rates on remaining commitments, is a major advance.

The package acknowledges that concessionary interest rates are a potentially valuable element in efforts to resolve the debt crisis for the poorest African countries, gives encouragement to hard-pressed African leaders, and shows the way for the other industrialised nations when they discuss Africa's predicament at this month's Toronto summit. The package is similar to measures Mr Nigel Lawson, the Chancellor of the Exchequer, has long been advocating – as he pointed out last night.

Formidable

Yet, welcome as these initiatives are, the problem of Africa's external debt, and the linked issue of raising sufficient resources to sustain Africa's efforts at economic recovery, remain formidable. At present, international lending is, in aggregate, doing no more than cover debt service obligations. Further measures are needed, over and above the recent increase in facilities offered by the International Monetary Fund, the World Bank and the African Development Bank.

Approximately 40 per cent of the continent's debt is to official bilateral creditors, including export credit agencies, and comes under the Mitterrand proposals – assuming other industrialised countries now adopt the package.

A further 25 per cent is owed to international financing institutions, which do not reschedule their loans. They argue that it would jeopardise their credit ratings, or in the case of the International Development Agency (IDA) and the African Development Fund (whose interest rate is nominal anyway) simply reduce new lending.

But there is a need for an initiative from the third major category of creditor, the commercial banks. Although their share of the debt is only 25 per cent, they have received in recent years about half the total interest paid on the debt, according to the UN report on financial flows to Africa, compiled earlier this year by a group of experts headed by Sir Douglas Wass. The report recommended that commercial banks should be willing, on a case by case basis, to take special debt relief measures.

Alternative

Other proposals which would ease the debt burden also deserve consideration. Debt equity swaps are unlikely to attract much support, but a feasible alternative, canvassed by the African Development Bank, is conversion of debt into long term securities or bonds on which creditors accept lower rates of interest.

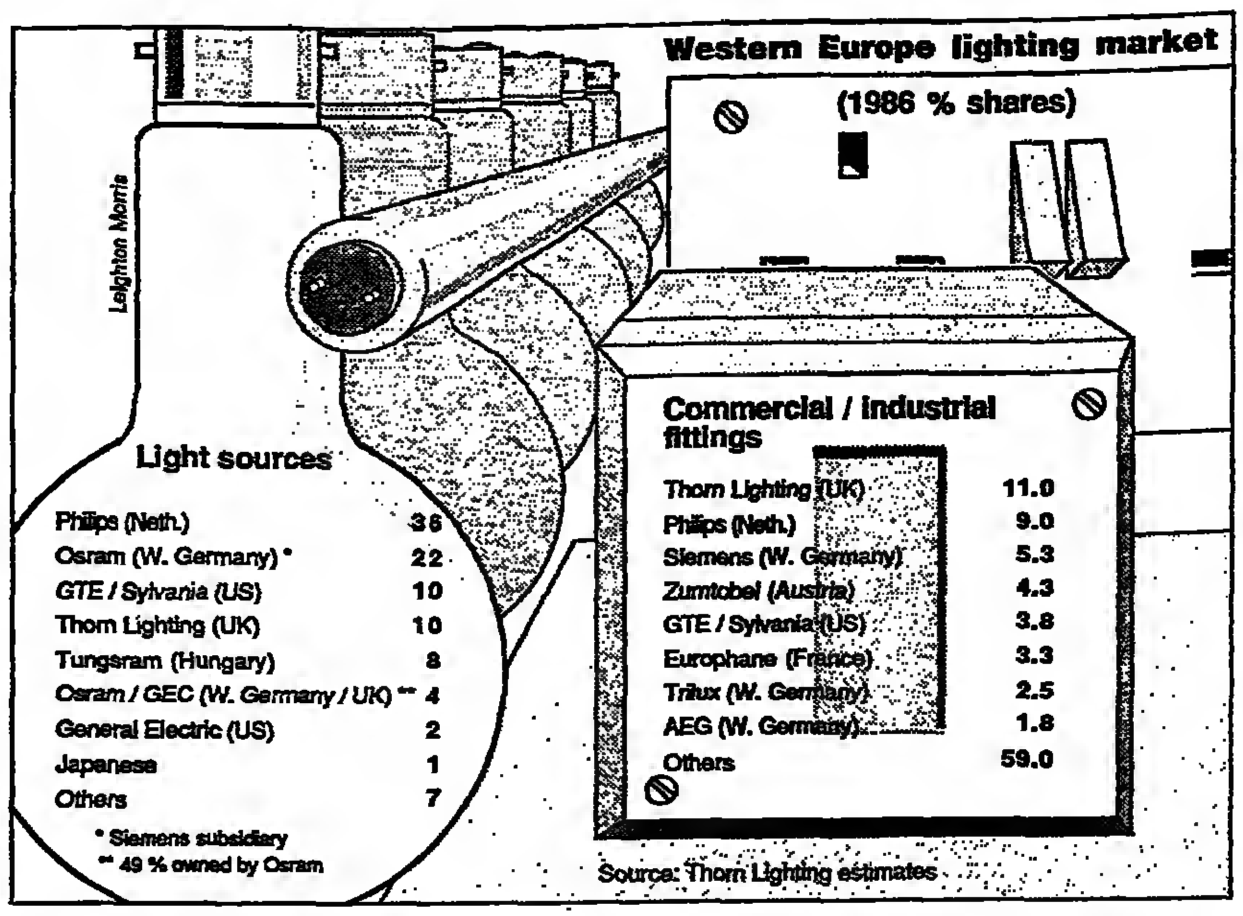
Debt relief is only one element in a solution to the continent's problems. The Wass report warned that Africa's recovery programme needed at least $5bn a year over the next few years, over and above what was expected to be available. The report estimated that increased resources from the IMF and the World Bank would bring in $3bn, interest rate rednctions would provide a further $1bn, leaving a gap of $1bn a year which would have to be filled by bilateral donors.

The essential requirement is to increase the net flow of resources to African countries in the context of economic programmes that offer some prospect that those resources will be used more effectively than in the past. The danger is that the policy changes will wither away for lack of new financial fertiliser.

The Toronto summit provides the opportunity not only to endorse President Mitterrand's debt package, but to set in train efforts to close the financing gap. Both approaches are needed if Africa's efforts to revive its economy, along lines long advocated by the countries meeting in Toronto, are to succeed.

Clay Harris looks at prospects for Europe's lighting industry as it undergoes a rapid change of structure

When bigger means brighter



EUROPE'S lighting industry is coming out of the shadows. At present, the spotlight is directed at the two rival UK bids for Europhane, France's second largest manufacturer of commercial and industrial light fittings. But discernible at the edge of the beam of public attention is a general jostling for position ahead of 1992; and a structural evolution taking place within the continent's lighting industry.

A traditional demarcation is breaking down: between light sources – the old-fashioned tungsten filament lightbulb, fluorescent tubes of all shapes and sizes, the most advanced metal halide lamps – and the fittings which hold them and focus their light.

The continent's leading lamp-makers – Philips, Siemens's Osram subsidiary, GTE/Sylvania and Thorn EMI – are *scrambling to offer* "total lighting solutions" instead of obliging customers to make prodnct-by-product decisions. The easiest way to do this quickly is to buy independent fittings manufacturers.

The prey take exception to this part of the strategy, although some have acquisitive appetites of their own. Small and medium manufacturers are branching out from their traditional national bases to seek foreign distribution and co-operative design agreements.

Within this context, Europhane's British suitors, Thorn EMI and Emess, could hardly be more dissimilar. They share little more than an urgent desire to gain control of Europhane's local distribution channels, the last independent network of any size left among French-based lighting manufacturers.

Perhaps more than any other UK company, Thorn is associated with lighting. Founded in 1928 as a market*ing operation* by the *Austrian-born* Jules Thorn, later Sir Jules, the company which was to become Thorn Electrical Industries began making light bulbs in 1932. It built up a dominant position in its home market, where it still claims a third of light-source sales and nearly as much of commercial fittings.

After Thorn's merger with the entertainment and leisure giant EMI in 1979, however, the original business became, in truth, a light hidden under a bushel. Distracted by troubles elsewhere in the conglomerate, Thorn EMI did not get round to re-emphasising its commitment to lighting as a core business until after 1985, when there was a change of management.

Emess, *by contrast*, came to the London stock market only in 1980. After a decade of acquisition-fuelled growth, its lighting sales – it also supplies electrical accessories – are only a fifth of Thorn Lighting's turnover.

Thorn, however, does not mind playing Goliath. Its new offer values Europhane, and its parent group Holophane, an industrial glass manufacturer, at FFr 912.5m (£86.6m). The bid pits Thorn and Emess directly against one another; it also tests the strength, and status under French takeover rules, of "irrevocable" acceptances given to Emess last week by holders of a majority of Europhane's shareholders.

If Emess should triumph in France, Thorn does not rule out one day casting an acquisitive glance at its rival

Mr Colin Southgate, Thorn EMI chief executive, insists: "A Holophane-Emess axis doesn't answer the long-term problems of globalisation." If Emess should emerge triumphant in France, he does not exclude the possibility that Thorn might one day focus its acquisitive attention on its rival.

For Thorn, as for its leading world competitors, globalisation stands for more than crossing national frontiers. It means that hardware, however advanced or efficient, is important only to the extent that it makes possible the provision of the real product: lighting.

"You deliver a package of light to the consumer," says Greg Rice, president of GTE/Sylvania, the Geneva-based subsidiary of the US telecommunications and electronics group which claims to be the third largest light-source manu*facturer in Europe*.

Reliable figures about market positions are scarce. Most companies and national industry bodies keep a tight rein on statistics. Philips, for example, strongly disagrees with Thorn's 1986 estimates (see table) which show the UK company with the largest share of the European fittings market.

Lighting is close to becoming a service business, rather than a technology-driven manufacturing industry. Philips has taken this to the extent of leasing entire lighting systems to customers on full-maintenance contracts.

Technical innovation – and the ability to finance it – remain important competitive factors, however. They give the four large lamp-makers an advantage over the wide array of independent fittings companies which continue to account for more than two thirds of the European market.

The big groups' strategy is already clear. They account, with associate companies, for more than 80 per cent of the light-source market. And they now also hold four out of the top five places in commercial and industrial fittings. For the most part, with Thorn as a partial exception, they shun the decorative fittings and tabla and standard lamps aimed at the home-furnishing market. Nevertheless, changing tastes have made it easy to stray across the frontier between commercial and domestic fittings.

The decorative market is even more fragmented than the commercial sector, exemplified by small companies importing and assembling products. In the UK, the 20 per cent retail market share maintained by BHS, the Storehouse chain-store subsidiary, exerts a strong influence on its wide range of small suppliers.

For a company like Emess, which is strongly represented in both commercial and home-lighting sectors, conservative UK design taste and spending habits were one impetus to seek mar*kets elsewhere in Europe. Continental* Europeans "are far more adventurous in their design and they spend far more on their décor," says Emess's chairman, Mr Michael Meyer. West German households change their decorative lighting every three years on average, compared with seven years in the UK.

Europe is still markedly less concentrated in commercial light fittings than the US, where the top four suppliers account for more than 50 per cent of the market. None is associated with a light-source manufacturer, reflecting a different pattern of distribution.

None the less, Europe is moving rapidly towards greater concentration. Three of the big four lamp-makers have already made significant cross-border acquisitions:

- Philips became the largest manufacturer in France with the purchase of Compagnie des Lampes, a light bulb and fittings manufacturer.
- GTE/Sylvania also moved into France in 1979, through the takeover of Claude, still a popular brand of bulb. In 1986, it bought Rotaflex, a display lighting specialist, by intervening in a three-way UK takeover battle.
- Thorn EMI bought Kaiserleuchten in West Germany and Jarnkonst in Sweden, before bidding for Holophane.

Only Siemens has stayed at home in West Germany, relying on its domestic base for growth in fittings. In part, this reflects the peculiar nature of the West German lighting market, Europe's biggest. In the UK, Thorn is the clear leader; in France, Philips, GTE/Sylvania and the eventual owner of Europhane dominate local manufacturing. But in West Germany, it is unlikely that any company has even 10 per cent of the market.

Instead, there are half a dozen manufacturers with about that proportion of sales, and several more not far behind. Of West Germany's larger light-fitting companies only Siemens and AEG are quoted companies. The others, such as Trilux, Erco, Staff, Hofmeister and RZB, remain determinedly private, often family-controlled. This has made it difficult for predators of any nationality to acquire a local German partner.

There are exceptions, however: Thorn bought Kaiser, to merge it with its own Thornlicht operation in the late 1970s. And in September last year, Emess paid £3m for nearly 25 per cent of Brillantleuchten, based in Bremen, one of the few publicly quoted small German lighting companies. The deal involved Brillant's controlling shareholders' taking a reciprocal, but smaller stake in Emess.

In this way, says Michael Meyer, each company could retain its independence but still reap the benefits of co-operation in design, manufacturing and distribution.

For the small and medium independents like Emess, survival depends on assembling a broad range of products and gaining access to distribution channels in each of the main European markets. This week, for example, Emess's Marlin subsidiary arranged a reciprocal distribution deal with Profilight, a private Dutch fittings company.

The drive to obtain distribution is also whetting the acquisitive appetite of the giants. "To gain distribution in a cold market is very expensive," says Mr Mike Goodwin, managing director of Philips Lighting UK. An established distribution network and a strong local identity are invaluable even for companies with a full range of products: both Siemens and GTE/Sylvania approached Holophane after Thorn first announced its interest in the French company.

But strong distribution is even more important for smaller, niche players. F.W. Thorpe, the UK fittings manufacturer, has attended the Hanover Lighting Fair for 19 years, with little to show for it, according to Mr Michael Lippold, the company's chairman. Of Thorpe's £8.3m in sales last year, only £1.1m was exported. Of this, continental Europe accounted for only £229,000.

Now Thorpe is co-operating with Britain's Trade and Industry Department, the Lighting Industries Federation and two other small UK companies, to study joint marketing on the Continent. The partners may also try to follow the Emess example of buying a stake in a West German company.

In light-fittings, greater concentration is on the way. In light bulbs, meanwhile, it is already an historical fact. "For light-source manufacturers, 1992 has been with us for a long time," says Ernest Magog of the UK's Lighting Industry Federation. "You can't manufacture anything except the smallest candle lamps on a small scale."

The process is likely to continue. The big four lighting-source producers' collective market share is expected to grow to more than 90 per cent. They alone can afford the research and development necessary to msintain the steady flow of new products which gives them a competitive advantage *over the* independents. It is also expensive to update production methods.

The big four, however, are unlikely entirely to squeeze out the competition. Producers such as Hungary's Tungsram, the Comecon leader in lamp technology and in exports to Western Europe, will continue to compete strongly on price in basic light-bulbs, if only to preserve access to hard currency.

Smaller single-market manufacturers may also eke out an existence based on local brand loyalty, but their numbers are likely to dwindle. Among the strongest candidates for survival is Sweden's Luma, but others facing a more uncertain long-term future include Leuci (Italy), Aram (Finland), Crompton (UK), and Lindner (West Germany).

The odds, in any case, are against any significant new entrants into the European light-source market. Japanese producers have limited their European presence to the occasional specialised product. And General Electric of the US – the market leader there – seems too uncertain about its role in lighting to contemplate extending its relatively token European operations.

Hardware is important to the extent that it makes possible the provision of the real product – lighting

The same arguments increasingly apply to fittings. Considering the structure of the European market, only a lamp manufacturer – or a stubborn independent like Emess – is likely to gain much advantage through swallowing up smaller fittings makers. "It's difficult for me to see a complete outsider getting into it," says Greg Rice of GTE/Sylvania. Concentration will continue; West European companies will be the ones that dominate.

OBSERVER

Mitterrand's manifesto

■ On Wednesday the French Government was said to be preparing to put pressure on Britain to join the exchange rate mechanism of the European Monetary System; the same afternoon it released details of its proposals for the cancellation of a third of the debt of the poorest developing countries.

The coincidence looked like an orchestrated campaign. It was in fact just the coincidence of two *international meetings: the Eco*nomic and Finance Ministers of the European Community at the beginning of next week, and the western economic summit in Toronto at the end.

The demand for Britain fully to join the EMS is an extension of the consensus of the past two years of cohabitation between the *socialist* president and the previous right-wing government. As the presidential election campaign underlined, both sides are committed to the strengthening of the European Monetary System, and the creation of some kind of institutional superstructure for it.

By contrast, the proposal for the cancellation of third world debt represents a clear reversal of the position adopted by Edouard Balladur, Finance Minister in the Gaullist-led government, and it appears that firm instructions had to be sent out from the Elysée to the Finance Ministry, to overcome the initial *reticence of the administration.*

President Mitterrand has long endorsed the case for greater help for the development countries, but first indications that he would advocate the cancellation of debt came in his "Lettre a Tous les Français", the electoral address published at the beginning of April. Not merely did he reiterate his support for raising the level of French aid to the target of 0.7 per cent of GNP set down by the United Nations, but he outlined the sketch of a rescue plan going well beyond the proposal released this week.

"I continue," he said, "to ask for the cancellation of the debts of the poorest, rearrangements of every sort of the debt of the others, and a link between the terms of repayment and the variations in the prices of raw materials." We have been warned.

Owen in health

■ The Social Democrats have pro*duced a four page newspaper* called Kensington Express, with a huge photograph of Dr David Owen on the front, as their first contribution to the Kensington by-election. It suggests that health will play a prominent part in the campaign.

Owen's book on the Health Service will be published next week. It is also the 40th anniversary of the Health Service and the Kensington Express has a coupon inviting readers to answer the following two questions.

We think that running a lottery whose proceeds go to the NHS is a good idea. Do you?

We think that turning premium bonds into health bonds with the profit going to the NHS is a good idea. Do you?

"I wanted to congratulate them, but the phone's out of order."

Foggitt's birthday

■ Bill Foggitt's forecast for the weekend is a little bleak with a continuing east wind and more light drizzle but nothing heavy.

The Thirsk weatherman says his forecast for a blistering summer holds good, thanks to the elder tree which has blossomed before his birthday on Saturday when he will be 75, the age he has been owning to all year.

"My father told me that a good summer was ensured if the elder flowered ahead of my birthday," he said yesterday. It came out on June 3 in bright weather which has brought hardly any rain.

"It could have been worse," said Foggitt, "It snowed here on June 2 1975 and there was sleet on the same date, Coronation Day, in 1953." He himself has not seen snow any later, but says his grandfather recorded a heavy snowfall on July 18 1888, although other contemporary records have it as hail.

Deep waters

■ The water polo party which toured South Africa *earlier this* year may know whether it is safe to go back into the pool after the weekend.

The Amateur Swimming Association which imposed a ban on national league games when it heard of the tour, lifted the ban when it failed to flush out the guilty players.

The ASA has now handed the matter down to its Southern Counties District which is to hold a "Judicial Tribunal" on Saturday.

This fearsome sounding body will be meeting at a secret venue somewhere in London, according to the district chairman Duncan Whitley, who said it has the powers to fine and suspend players. Those alleged to have toured South Africa have been informed: whether they turn up remains to be seen.

NICs become NIEs

■ The word has gone out from the organisers of the Economic Summit of the seven leading industrial democracias in Toronto later this month – henceforth the newly industrialised countries, commonly known as NICs, shall be called NIEs for newly industrialised economies.

As the Canadians were preparing for the summit, they were approached by a senior Chinese diplomat who protested that the use of the term NIC implied that Taiwan was a country. Other NICs along with Taiwan are South Korea, Hong Kong and Singapore.

The Canadians took the point. According to Japanese foreign ministry officials, the term NIEs started to appear on all documentation emerging from Ottawa about three weeks ago. The Canadians explained that NIC was also an inappropriate description of Hong Kong, which remains a British colony.

"The change has been accepted by all the summitteers," a Japanese foreign ministry official said yesterday.

Man's best friend

■ John Golding seemed determined yesterday not to become *too preoccupied with criticism of* his leadership of the National Communications Union.

Delegates at the union's annual conference in Blackpool were debating a motion which called on their general secretary to resign because of his failure to answer allegations in the News of the World newspaper about his private life.

As the debate was in full swing, Golding kept one ear open for the result of the 2.08 at Hackney where a dog in which he has a share was running.

The motion against Golding was passed, but the dog won at 5 –1. Before the race Golding attempted to have the dog's name changed from River Road Flash to Stab Yer Mate. The Kennel Club objected.

POLITICS TODAY: By Joe Rogaly

The costly secret of NHS reform

BRITAIN'S Conservative Government will come under very nearly irresistible pressure to spend yet more taxpayers' money on the National Health Service before it next goes to the polls. By more I mean more in cash terms, more in real terms and more as a share of gross domestic product. That kind of more. It does not want to do it, but it will almost certainly have to. The Prime Minister, Mrs Margaret Thatcher, has spent most of her political life trying to find ways of reducing public expenditure, but she will not find it easy to escape this one.

For the tides are moving against penny-pinching, especially when it comes to health. Mrs Thatcher may be the most powerful, and perhaps even the most radical, Prime Minister in British history, but she is aware that the NHS is not only a mightily expensive (£22bn and rising), 40-year-old monument to a socialist past. It is buried deep in the British psyche, a comforting and "free" home to go to whenever illness strikes. People like to know it is there even if they are middle-class and even if they or their companies buy private cover for non-urgent, specific treatments. Poll after poll indicates a high degree of user satisfaction with its ministrations. The Conservative promise at the 1987 General Election that "the NHS is safe in our hands" was not made lightly. It was politically necessary then. It is likely to remain so.

The vital element has so far escaped general notice. It needs spelling out. If the NHS is made more efficient it will cost more.

This perception is the key to understanding the present spate of inspired leaks and guesses about the likely outcome of the Government's current review of NHS policy.

The review was brought on by a typical bout of NHS-itis: nurses, doctors and hospital administrators spent most of last year jumping up and down, waving shrouds and asking for more – as they have done at regular intervals since the founding of the service in 1948. The Labour leader, Mr Neil Kinnock, based his powerful winter campaign against the Government on its "underfunding" of the NHS. Fate intervened. The Secretary of State for Social Services, Mr John Moore, caught pneumonia and spent five weeks away. He came back weak in voice and lost what had previously been a glamorous political reputation.

Mrs Thatcher decided that Something Must Be Done. She announced that she would personally take charge of an internal review of health policy. And, after a decent interval, Mr Moore was permitted to pay the nurses a generous wage increase, all of the excess cost to come as an extra on top of the then existing health budget.

This two-pronged approach has been successful. Mr Kinnock has stopped banging on about the health service. Mr Moore has recovered to glowing health: he still has a touch of preacher's throat, but it is nothing that a good hiking holiday in the Alps will not cure. As to his reputation, he is no Peter Walker, a tolerated Wet; he is one of the most reliably Thatcherite members of the Cabinet. He has worked hard on his comeback, addressing a couple of meetings of backbenchers and putting across his case with fair competence at recent party conferences in Buxton, Edinburgh and London. If people are not yet willing to bet on his political longevity they are at least no longer predicting his immediate political demise.

Of perhaps greater importance is the fact that the policy review is now being taken seriously – possibly too seriously. The Prime Minister apart, the two key Ministers are, of course, the Chancellor of the Exchequer, Mr Nigel Lawson, and Mr Moore himself, in that order. But it is getting around in the Cabinet that this is a very important matter, the leading element in the Tories' medium term revolutionary strategy for the further restructuring of Britain. Even ministers as theoretically remote from the action as, say, the Foreign Secretary, Sir Geoffrey Howe, are apprised of the significance of what is being discussed. (Sir Geoffrey is perhaps a special case, since he sees himself as having been running alongside the Prime Minister on all major matters of policy since she became leader of the party in 1975.)

From the Government's point of view the trouble with all this is that it has aroused within the Conservative party an expectation of greater revolutionary change than it would be politically prudent to deliver. Some on the right want to wind up the NHS altogether as a piece of "socialist baggage", and to replace it with private insurance. Such schemes have been talked out. The upshot is that even the three leading right-wing think-tanks are putting forward proposals that are either described as "evolutionary" or extend the life of a national, taxpayer-funded service, while the private sector is stimulated by means of a variety of devices.

There will certainly be some effort to enlarge the scope of private medicine, but just how much is still a matter of fine political judgment. General tax relief to set against health insurance would be politically unpopular and is anyway opposed by the Treasury. The technical arguments against it are that it would let existing subscribers off the hook, at a very high cost to the Exchequer, and that people would demand relief for the purchase of other social goods, like education.

These arguments fall away if the relief is confined to the elderly, since most of them do not have school-aged children (so they would not demand relief for spending on education), and the number of existing pensioner-subscribers to medical insurance schemes is small. The tax loss to the Treasury would be a mere £25m or so in the first year. You can see the Prime Minister selling it on TV now: people for whom private insurance is bought by their companies suddenly lose that advantage when they retire and may most need it, she would say. We should help them buy it privately rather than turn to the state.

A special tax concession for pensioners who buy private health insurance is therefore a strong runner. It should be seen for what it is: the thin end of a wedge, consciously chosen by Mrs Thatcher's free market ideologue advisers as the best political chance of making a start at eroding the NHS. Since everyone knows this, the Government is already rehearsing the protestation that the Treasury is adamant that it would not move an inch beyond the retired population with any such scheme.

Yet Mr Moore would also like some form of "opting out". In theory this means that people who undertake not to use the NHS and insure themselves privately would be relieved of that element of their tax or national insurance bill that applied to the health service. A wholesale change of this kind would run into many political and technical obstacles. A more limited aim (the thin end of another wedge?) is therefore a partial scheme, whereby people would produce evidence that they were insured for the private provision of specified non-urgent treatments. These would not be provided to them by the NHS. They could then claim a tax rebate for that part of the health service on which they would not be making a claim. This would be harder to sell than tax relief for the elderly, but it is still a possibility.

There are other ways of stimulating the private sector. The health insurance groups have been encouraged to market their products more aggressively, with special low-price packages. The trading of services between the private and public sectors is growing. There will be further supply-side initiatives from the Government. The charges made by private consultants could be published alongside the far lower costs of their services within the NHS. Sheer market transparency might then reduce overall costs, and therefore the costs of premiums.

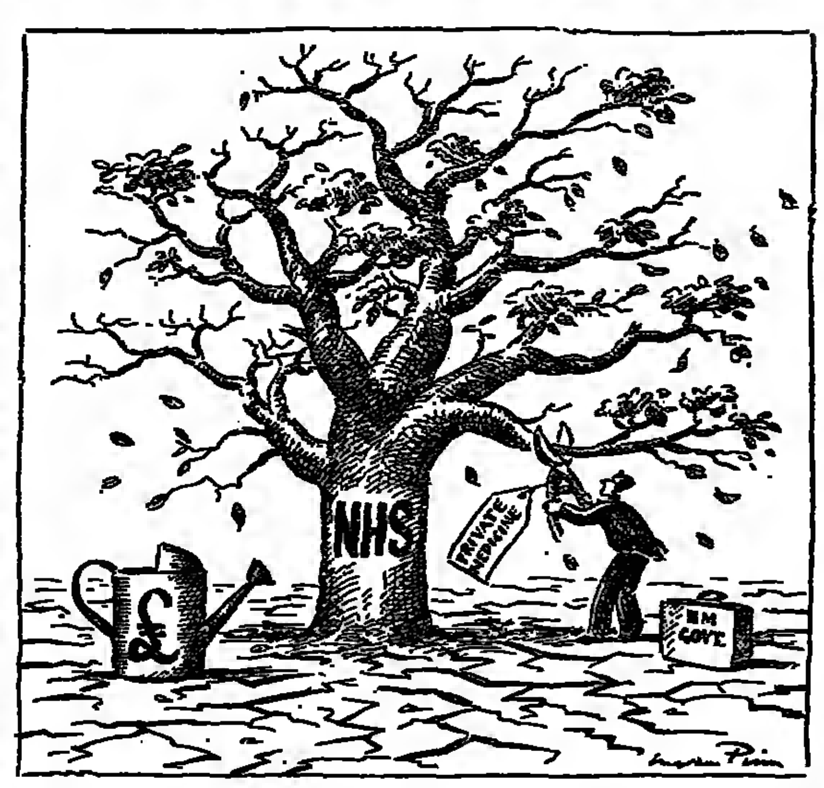
All these wedges are still to be driven in at the thin end. They may not get very much further, however much the right wants them to. For the simple fact is that the vast bulk of the country's health needs will be met by the NHS for many years to come. It is for this reason that much of the review is about "improving the efficiency" of the public service.

Mr Lawson signalled as much in a speech to the British Medical Association in Leicester last week. Management information must be improved. There must be a growing awareness of costs. Mr Moore has given much thought to the idea of an "internal market", whereby one region of the NHS is free to purchase services from another, or from the private sector. Others argue that general practitioners could do more in their surgeries, thus relieving the burden on the hospitals.

Never mind the details of all this. The vital element has so far escaped general notice. It needs spelling out. So here goes: if the NHS is made more efficient it will cost more. One reason is that many tasks currently remain undone, as people wait in queues or give up hope of treatment. In a computer-linked system blessed with the freedom of an internal market, unit costs would fall, but the gross throughput would rise. On top of that, the service's inbuilt propensity to invent new treatments, screenings, or diagnostic devices would be enhanced by greater efficiency.

This is now perfectly well understood by the Prime Minister, although it has taken a little while for the penny to drop. It is also clear to Mr Lawson: in his speech at Leicester he compared the "non-cash-limited" status of general practitioners to that of the cash-limited hospital sector. The internal market and other efficiency devices so far mooted remove some of the Treasury's ability to control overall costs. New controls are possible, but not necessarily desirable. They might provide an opportunity for the opposition to point out that the review has merely replaced one form of tight Treasury rationing by another. Looser constraints – that is extra cash for the NHS – would placate Conservative doubters at a time when tax relief for the elderly was being introduced. More money might also soothe GPs and consultants at a time when many structural changes in the NHS would be unsettling them. It would certainly be politically popular, even in the enterprise society.

The review has not yet solved this central dilemma, which may be one reason why Mr Moore is wondering whether its conclusions will be available in time for him to announce them at the Conservative Party conference in Brighton in October.



Lombard

Ethics and the businessman

By John Lloyd

"ARE ETHICS and business necessarily at loggerheads?" The question was posed last night by a new creature: a Professor of Business Ethics. This creature will multiply and divide and business had best get his measure early.

His name is the Reverend Professor Jack Mahoney: he is a Jesuit, a master of arts and a doctor of divinity. He has founded, and is the first director of, the Business Ethics Research Centre, located at King's College in London. He posed the question in his inaugural lecture. In the course of that lecture, he reminded his audience that, while new to Europe, the subject is more than a decade old in the US. As US culture exports, through the medium of the film "Wall Street", the Ivan Boesky imperative – "Greed is Good" – so it also exports its antidote: "Can you be greedy and good?"

The question was not wholly answered last night; indeed, it was fundamental to Professor Mahoney's lecture that it could not be answered. Instead, a process should start, within certain parameters.

One of these parameters is what the Professor saw as an extreme staked out by Professor Milton Friedman: that (as he put it) "the only obligation which business has in and to society is to get on with the job of producing profit for its shareholders and that managers should be recognised as no more than the agents appointed to carry out the purposes of the shareholders."

This, Professor Mahoney said, was in practice impossible. Business cannot be quarantined from ethical principles. It depends on them for its existence, since it takes a certain level of honesty, of loyalty and of respect for property for granted within and without its walls. It cannot, in short, be "played in a social vacuum".

Nor can it be simply the working out of impersonal forces – forces which, because they are stripped of human affects, are thus beyond moral claims. On the contrary: "the collective choice of goals and policies, and the individual choices to accept and implement such goals and policies by the selection of appropriate means, are all human actions."

That is one parameter: but it is two-sided. In the same way as business cannot be quarantined from ethics, nor can ethics be quarantined from business. It makes no sense, Professor Mahoney argued, to adumbrate an ethical code and then use it as a club with which to beat business each time it transgresses that code. "Such an approach runs the risk of moral imperialism . . . business ethics, if it is to correspond not only to the claims but also to the true facts of the situation, must be in the nature of a dialogue between the business community and the rest of society...

The point of the lecture – and the project for the Centre – is to begin the development of a relationship between two open systems. That is possible, said Professor Mahoney, because, on the one hand, business (in the US at least) has recognised the moral imperative: the first conference on the subject, in 1974 at the University of Kansas, was jointly sponsored by business and the subject has been sustained by it. On the other, ethics has become more activist, more concerned now to debate ethical values in such areas as medical technology and defence. On an optimistic reading, the market is willing to come to the professors just as the professors are willing to come to market.

There is some real basis for Professor Mahoney's optimism: or, as Charlie Brown put it, "it's not the principle of the thing, it's the ten cents". The professors need business because they need to fund their colleges in an era of state withdrawal: and the business people need the professors because they must find an ethic for the greater role they are being asked to play – and which they are proposing for themselves – in society. As the walls which the old corporatism maintained about its discrete parts are subjected to the market solvent, a new way of behaving is required which may be – should be – uncomfortable for the new actors but which has to be learned. Professor Mahoney and his Centre come in good time.

Letters to the Editor

Equal treatment in EC banking

From Mr G.E. Fitchew.

Sir, Two factual points in David Lascelles' otherwise admirably accurate account (June 7) of the European Commission's proposal for a Second Banking Co-ordination Directive call for some qualification.

First, the article states that "Any non-EC bank will be able to enter the integrated market by obtaining authorisation from one member. But a branch will not be enough; it will have to have a legal entity such as a subsidiary." This may create the impression that foreign branches' entry into EC member states will be restricted by the terms of the second banking directive.

This is not the case. Member states will remain free, as at present, to admit foreign bank branches, provided that they are not more favourably treated than branches from other member states. Such branches, however, will not automatically have access to the banking market in other member states; again, this is the situation at present and the proposed Directive makes no change in this respect.

Second, in commenting on the right of banks to own stakes in non-banking companies, Mr Lascelles reports the view of European bankers that any control should take the form of a heavy weighting for capital ratio purposes rather than an absolute limit.

In fact, the proposed directive offers the member states precisely this option. It provides that, instead of limiting "qualified participations" in non-banking companies to a maximum of 10 per cent of a bank's own capital, member states may instead require banks to deduct the value of excessive shareholdings in non-banking companies from their capital base, *inter alia*, for the purpose of computing the capital adequacy ratio.

G.E. Fitchew,
Commission of the European Communities,
Rue de la Loi 200,
B-1049 Brussels,
Belgium

'Credible' judgement needed

From Mr P.A. Lumkin.

Sir, Mr Michael Barnes QC is to be congratulated on the admirable way in which he performed his unenviable task as inspector at the pre-public inquiry meeting held near Bridgwater this week.

With an audience of more than 500 objectors to the Central Electricity Generating Board's (CEGB) proposal to construct Hinkley "C" PWR (pressurised water reactor) nuclear reactor as the next nuclear plant in Britain after the Chernobyl disaster, Mr Barnes was noticeably sympathetic to the concerns being voiced by those who had registered as official objectors at the forthcoming public inquiry due to start in October.

Representatives of The Power Trust at the meeting were concerned to note that Mr Barnes's task was not made easier by the presence of two employees of the body which has endorsed the CEGB's application, flanking him on either side and effectively acting as assistants to the inspector. These two employeea of the Department of Energy were visibly startled by the inspector'a favourable response to requests from objectors for consideration of important issues in accordance with the wishes of the majority of electricity consumers.

Mr Barnes' task will become even more difficult in the coming months of the inquiry, because it will be assumed by many people that his independence and unbiased position will be put at risk by the continuing presence of the employees from the Department of Energy guiding and assisting his deliberations. It is analogous to having a judge in the High Court being assisted and advised by two brothers (the Department of Energy) of the offender (the CEGB) who is on trial in the witness box.

The Department of Energy is the controlling statutory department of the Central Electricity Generating Board. Its employees should not be forming the secretariat team which is assisting the inspector. The secretariat team should be composed of independent assistants whose unbiased position is beyond question.

They would then have credibility among proponents and opponents alike, and Mr Barnes would be able to maintain his independence of thought to arrive at a fair and proper judgement in the matter of the CEGB'a controversial proposal to huild a fifth nuclear reactor between Minehead and Weston-super-Mare.

Paul Lumkin,
The Power Trust,
Brompton Ralph,
Taunton, Somerset

Kings Cross has a wild side

From Mr Jeremy Iles.

Sir, Tha re-development of Kings Cross brings great opportunities for "getting things right." London Wildlife Trust manages tha two acre Camley Street Natural Park, right in the centre of the development area. Wa are talking to Rosehaugh Stanhope about the future of this site, and have published a "Strategy for Wildlife" for the whole area.

What we have at Kings Cross is an opportunity for innovation and a chance to create something which is good for wildlife and good for the thousands who will work, rest and play in the new offices and homes, shops and restaurants.

The opportunity to break the mould of 1980s "toy-town" developments is too good to miss. The decisions made at Kings Cross will influence developments well into the 21st century. We hope that wildlife will be en integral part of this.

Jeremy Iles,
London Wildlife Trust,
80 York Way, N1

Internal affairs of Singapore

From the High Commissioner of Singapore.

Sir, I refer to the article by Roger Matthews entitled "Singapore slaps the hand that feeds it" (May 23).

Your article states that the "mounting implication is that" the Singapore government "believes itself to be the target of a plot by the Central Intelligence Agency."

The Singapore government accused Mr Hank Hendrickson and certain other US diplomats of interfering in Singapore's internal affairs. It has not linked the Central Intelligence Agency, nor the US government itself with the activities of the US diplomat. In fact, the Singapore government statement issued on May 20,1988 clarified that it has not alleged that the improper behaviour of the US diplomat was sanctioned by the US government or represented official US government policy. The Singapore and US governments have expressed the desire to leave this sad episode behind us. It is regretted that the article did not take account of such clear government statements.

The article also implied that the Singapore government's arrest of Francis Seow smacked more of domestic repression than foreign interference. Francis Seow's sworn statement disclosed that the US diplomat sought to identify potential opposition politicians, cultivate them and advised and instigated them to oppose the government. This clearly constitutes foreign meddling in the internal affairs of Singapore and justifies the government actions.

Abdul Aziz Mahmood,
2 Wilton Crescent, SW1

Led by the rose

From Mr Angus Phaure.

Sir, Mrs Ann Chiswell's letter (FT, June 4) emboldens me to ask: am I the only man in the City to wear black leather gloves in bed at night?

Angus Phaure
Mount Meru, Marsham Lane,
Gerrards Cross, Buckinghamshire

'Thyssen long ago ceased to be a typical steel producer'

From Dr Hanns-Jürgen Kunze.

Sir, We read with great interest your article, "European steel issues forge ahead on foreign demand" (May 24). With regard to Thyssen, this article contains certain misunderstandings.

The article states that "Thyssen's acquisition of Budd, the US automotive parts group, was poorly timed". At the time of the acquisition (April 1978), the dollar/D-Mark rate of exchange was very favourable to the taking of such a step. The purchase price for Budd, to be paid by Thyssen in dollars, was a very low one, too. Budd has made profits both in 1978 and 1979. Today Budd is one of the most profitable subsidiaries in the Thyssen group.

The article also states that (an end of the steel quota system for hot and cold rolled steel) "will mean strong downward pressure on prices from which Thyssen in particular will suffer."

This statement is completely unfounded. Thyssen Stahl has the most up-to-date production facilities in one of the best locations with the lowest costs in Europe. Even during periods of low steel prices, Thyssen Stahl has always made profits in its most important product groups.

Finally, the article implies a close relationship between steel prices and the Thyssen share price. Thyssen long ago ceased to be a typical steel prodncer. Instead, it is a broadly based manufacturing and trading company with numerous profitable operations in anch fields as high-speed trains or modern manufacturing systems which have nothing at all in common with the production of steel. The stock exchanges have been aware of this fact for quite some time already.

Hanns-Jürgen Kunze,
Generalbevollmächtigter,
Thyssen,
Kaiser-Wilhelm-Strasse 100,
4100 Duisburg 11,
West Germany.

FINANCIAL TIMES
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Bolivia's determined war on want

Sarita Kendall looks at how one of South America's poorest countries is faring in the fight against poverty, inflation and political uncertainty

ON THE high windswept plateau above La Paz, nearly 4,000 metres above sea level, former tin miners are laying the foundations of small adobe brick houses. About a hundred mining families have been living in tents on the edge of the city since last year.

The women walk 500 metres to the nearest water tap, which drips into ice-rimmed puddles in what is now the middle of the southern winter. Most of the children are in school, and a few of the younger men have found occasional work. The houses, like many things in Bolivia, are funded mainly by foreign aid.

The miners are victims of "relocation" and "restructuring" schemes essential to the Government's struggle against five-figure inflation rates and chronic budget deficits.

The administration's success – measured in terms of IMF backing, 11 per cent inflation during 1987 and a relatively stable currency – has not extended to a long promised "reactivation" which would mitigate the harshness of President Victor Paz Estenssoro's New Economic Policy.

The Government has already had to reduce the 1988 growth forecast from 4 per cent to 2.5 per cent, and foreign specialists doubt whether this can be achieved. Although years of contraction have given way to a 2 per cent growth rate in 1987, income has fallen to about $560 per head. By many standards, including infant mortality and malnutrition, Bolivia is the poorest nation in South America.

Mining production has been dropping steadily as a result of low prices and closures. Last year's tin earnings were down to less than $70m, representing 12 per cent of export income.

But the state mining company, *Comibol*, which now accounts for less than 10 per cent of output, hopes to rehabilitate several mines. New legislation to attract foreign investment is also planned. Gold production in the high Andes and along the Amazonian tributaries is already increasing, although much of it filters illicitly across the border for sale in Brazil.

Some redundant miners, unable to find employment in cities or the coca-growing valleys, have returned to join co-operatives working the silver mountain at Potosi on the high plain. Although the mountain looks like a huge, well-sifted pile of rubble, recent studies suggest that modern techniques could extract more silver than was mined in Spanish colonial days which ended in the 1820s.

The decline of the mining workforce has also produced an important political effect by draining off some of the most combative sectors from Bolivia's powerful trades union organisation.

While the traditional unions no longer paralyse the country with ease, coca farmers are becoming more aggressive: thousands of growers have joined protest marches in La Paz and Cochabamba, and blocked roads to the main producing areas in the Yungas and in the Chapare river valley.

Growing coca – the raw material for cocaine – is legal and an ancient tradition of the indigenous people of the Andes, but a new law being discussed by Congress is expected to limit the crop to certain areas, prohibit new planting and promote crop substitution.

Although coca and coaine prices have tumbled in recent months, coca is still the most resilient source of income in much of eastern Bolivia, covering some 60,000 hectares of land. Drug experts are quick to point out that the peasant defence of coca-growing also benefits cocaine traffickers, and they question some of the anti-imperialist, pro-tradition rhetoric behind the protests.

Bolivians anxiously insist that they do not have a cocaine problem of Colombian intensity – violence is rare. But cocaine has permeated most national institutions.

The appearance of "narco-videos," showing meetings between party leaders from the Nationalist Democratic Action (ADN) and the country's cocaine king, Mr Roberto Suarez, reinforces the political connections.

Low prices – largely due to increased production – mean that Bolivia's cocaine income (all illegal) will probably drop to between $200m and $300m this year, compared with earnings of $600m per annum in the past.

Although the Government's anti-drug efforts have not been as vigorous as its anti-inflation campaign, financial backing for both is flowing in. The United Nations has projects in coca areas worth more than $40m (including some $4m from the UK). Creditors, appreciative of Bolivia's New Economic Policy, have been lenient, while donors are responding to the need for aid – especially food – and the country receives strong support from multilateral organisations.

In a visit to Washington during May the economic team managed to tie up a package involving an IMF structural adjustment facility and some $70m from the World Bank to buttress the financial system and provide working capital for the private sector.

However, the country is already gearing up for next May's general election, and the business confidence which has been so carefully nurtured is bound to suffer.

Oil and mining companies, convinced of the richness of Bolivia's natural resources, are keen to buy in if this unprecedented period of political stability lasts. Local companies show less optimism as shutdowns continue – for example, in the shoe industry – wages lose purchasing power and unemployment remains more than 20 per cent.

Few analysts give this government's Planning Minister and economic strongman, Mr Gonzalo Sanchez de Lozada, a chance in the elections. At present he is battling for his party's nomination.

The ADN has been damaged by its association with this government and by the narco video scandal, but the centre-left Revolutionary Left Movement (MIR) is cashing in on an "opposition within the establishment" stance. The possibility of a united left wing seems remote, although as one grass roots leader said, "Bollvia is the country of surprises."

One of the Government's biggest achievements has been to reduce the surprise element, and a peacful handover would reinforce this process.

Britain will urge action on African debt crisis

By Philip Stephens in London

A FIRM plan of action to ease the debt burden of *sub-Saharan* Africa will be a key British objective at this month's world economic summit in Toronto, Mr Nigel Lawson, the Chancellor of the Exchequer, said yesterday.

In a move aimed at regaining the initiative in efforts to help some of the world's poorest countries, Mr Lawson said it was essential to not merely give them more time to repay debts but also actually to reduce the burden.

Mr Lawson welcomed recent statements by President Mitterrand of France and by Mr James Baker, the US Treasury Secretary, which be said suggested that a consensus on the need for action was emerging.

Earlier this week, Mr Mitterrand said that France was prepared to write off one-third of the debt of around 20 of the poorest nations as part of a three-point plan to restore them to solvency. The Canadians and West Germans have also indicated that they would like to share in the credit for any deal at the summit.

Mr Lawson, who launched his own three-point debt relief programme 14 months ago, is keen to ensure that the seven summit nations agree a specific proposals rather than simply issue a commitment to increase assistance.

Britain's suggestion is that the Paris club of creditor nations write off aid loans, introduce longer repayment periods for other official loans, and reduce interest rates on such debt to 3 per cent below market rates.

The proposed interest rate reduction has provoked objections among other Western governments, notably West Germany and Japan, and Mr Lawson now appears to accept that either debt write-offs or increased aid payments could provide an alternative.

Africa's total outstanding debt to western creditors is put at around $200bn, with perhaps $110bn of that owed by the poorest sub-Saharan African nations.

EC to examine US restrictions on imported farm products

BY TIM DICKSON IN BRUSSELS

GROWING TENSIONS which surround efforts to reform world agriculture burst out into the open again yesterday when the European Community suggested that long-standing US restrictions on imported sugar, dairy and other farm products might be contrary to international trade rules.

Mr Willy de Clercq, Commissioner for External Relations, announced in Brussels that the EC wanted to examine US exemptions under the General Agreement on Tariffs and Trade, "to check that the way they are being applied is in line with the original aim."

The US exemptions, or "waivers," were negotiated in 1955, enabling the US to impose import quotas for certain agricultural commodities, including cotton and groundnuts, as well as dairy products and sugar. The EC now wants to "clarify" whether such protection, especially for sugar, has led to an increase in domestic subsidies and substantially built up US production in a way not intended when the rules were framed.

The move significantly raises diplomatic temperature when the world's major trading partners are looking to the December mid-term review for significant progress in the current Uruguay round of the Gatt negotiations.

The timing appears to have been largely inspired by anger in Brussels at the US Government's recent attempt to establish a Gatt panel on the American Soyabean Association's complaint that European subsidies have caused a $1.4bn decline in US soyabean and soyabean meal sales to Europe. That was blocked last month by the EC, but the issue is likely to flare up again next week when the US is expected to repeat its demand at a meeting in Geneva.

Mr De Clercq claimed that, despite the EC's recent efforts at agricultural reform, the US was "generally negative." He denounced Washington's "refusal to negotiate short-term measures to the context of the Uruguay Round, the increase in US export subsidies and the reduction of the set aside scheme" whereby farmers receive payments for taking land out of production.

Mr Alfred Kingon, US Ambassador in Brussels, hit back last night, saying that while Washington would happily look at each complaint made by the EC he "wished the Community would do the same for us on soyabeans."

He described Mr De Clercq's remarks as "frankly disappointing" and insisted that the US would talk about anything in the Gatt round. Referring to the US demand for an end to all farm subsidies by the end of the century he added: "We are not prepared to get into disputacious arguments and watch the vision of long term agricultural reform fade away. The President wants to leave his mark on agricultural reform and the window between now and the mid-term review of the Gatt in December is a perfect opportunity."

Brussels slow on takeover action

Continued from Page 1

Monetary System and full membership of it by all EC countries were essential steps towards this goal.

Lord Blakenham, chairman of the Financial Times and of Pearson, its parent company, applauded Lord Cockfield's vision and said the FT was changing to take advantage of a single European market.

It was looking to acquire substantial stakes in national business newspapers, in addition to the majority interest it had recently purchased in Les Echos, the leading French financial daily.

He also expressed impatience at the British Government's hesitation about making sterling a full member of the EMS. The Government's decision on when the time would be ripe for full membership remained a most pertinent question.

OECD recession warning

Continued from Page 1

contraction in European exports which would trigger "a significant slowing in growth or even a recession."

The Organisation said that *such an outcome could not be* ruled out if, in the absence of further policy actions, the process of adjustment was left solely to the foreign exchange markets.

It makes it plain that the US will have to shoulder most of the responsibility for the necessary adjustment. It was "essential" that the US Government persevere with the reduction of its *budget deficit* and *that specific* measures for 1989 and beyond be adopted.

US savings needed to be boosted and it was also essential *that the US Government hold firm to its commitment to open* markets for international trade.

"To the extent that progress is made in reducing the federal deficit and raising private savings, the risk of inflationary pressures originating in domestic markets or from any renewed downward pressure on the dollar would be eased," it says.

Palestine issue takes centre stage

Continued from Page 1

human rights in areas under military occupation; and a complete halt to Israeli settlement building in the territories. It also promises financial support to "sustain and escalate" the uprising, though without specifying amounts.

The meeting's outcome can be counted a triumph for Algerian President Chadli Bendjedid, who persuaded 17 Arab Heads of State to attend and who has been under Soviet pressure to produce a unified and relatively moderate Arab stand.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	21	72	Dubrovnik	S	23	73	Malta	S	27	81	Rhodes	S	31	88
Algiers	F	30	86	Edinburgh	F	16	61	Manchester	R	11	52	Rio de J'o	F	32	89
Amsterdam	C	17	63	Faro	F	19	66	Manila	C	33	91	Rome	F	26	79
Athens	C	32	90	Florence	F	26	79	Melbourne	C	13	55	Salzburg	S	22	72
Bahrain	F	38	100	Frankfurt	C	18	64	Mexico City	-	-	-	San Francisco	C	20	68
Bangkok	C	33	91	Funchal	C	20	68	Miami	C	26	80	Seoul	C	27	81
Barcelona	F	20	68	Geneva	F	19	66	Milan	S	23	73	Singapore	C	33	91
Beirut	F	30	86	Gibraltar	R	17	63	Montreal	C	18	64	Stockholm	F	23	74
Belfast	F	17	63	Glasgow	S	17	63	Moscow	C	29	84	Strasbourg	S	20	68
Belgrade	F	27	81	Guernsey	S	16	61	Munich	S	18	64	Sydney	F	17	63
Berlin	R	15	59	Helsinki	F	21	70	Nairobi	C	24	75	Taipei	F	33	91
Biarritz	F	21	70	H. Kong	F	32	90	Naples	S	27	81	Tangier	C	19	66
Bombay	F	33	91	Innsbruck	F	23	73	Nassau	C	28	82	Tel Aviv	S	29	84
Bordeaux	F	20	68	Inverness	C	11	52	New Delhi	C	42	107	Tenerife	C	23	73
Brussels	S	18	64	Islamabad	F	36	[illegible]	New York	C	24	75	Tokyo	C	24	75
Budapest	F	25	77	Istanbul	C	28	82	Nice	S	21	70	Toronto	C	15	59
B. Aires	C	15	59	Jakarta	R	32	[illegible]	Nicosia	F	32	90	Tunis	S	23	73
Cairo	F	37	99	Jersey	S	19	66	Oporto	C	16	61	Valencia	C	21	70
Cape Town	S	16	61	Jo'burg	F	12	54	Oslo	C	23	73	Venice	S	22	72
Caracas	C	29	84	Lima	F	20	68	Paris	F	23	75	Vienna	F	25	75
Casablanca	C	21	70	Lisbon	R	18	64	Peking	S	30	86	Warsaw	C	26	79
Chicago	F	23	73	London	C	16	61	Prague	S	20	68	Washington	C	14	57
Cologne	C	18	64	Los Angeles	F	24	75	Reykjavik	C	10	50	Zurich	S	19	66
Copenhagen	S	26	79	Luxembourg	F	18	64								
Corfu	F	28	82	Madrid	C	20	68								
Dallas	S	22	72	Majorca	C	25	77								
Dublin	C	17	63	Malaga	C	20	68								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Nato chief warns West

Continued from Page 1

moting destabilisation.

Ministers were generally optimistic about prospects for a "balanced outcome" at the Conference on Security and Co-operation in Europe and for a mandate emerging soon for a new set of Conventional Stability Talks, aimed at cutting non-nuclear forces and correcting current Warsaw Pact superiority.

There was concern, however, that, while Moscow was signalling flexibility on the crucial human rights issue, this was not yet reflected at negotiator level.

Mr Roland Dumas, the French Foreign Minister, who left the meeting early in order to defend his National Assembly seat in the general election, was understood to have proposed Paris or Geneva for the new talks rather than Vienna, site of the current CSCE talks and of the ill-starred Mutual and Bal*anced Force Reduction* negotiations.

Japan gives effortless boost to overseas aid plan

By Ian Rodger in Tokyo

JAPAN will announce a five-year plan to boost its overseas development aid at the economic summit in Toronto later this month.

The plan is one of three main elements in the foreign policy that Mr Noboru Takeshita, the Prime Minister, outlined in a speech in London early last month. The other elements were improving relations with Western Europe and making greater contributions to world peacekeeping efforts.

The final details of the aid plan are still being worked out by government officials, but its main objectives will be to improve substantially both the quality and quantity of Japanese aid.

The country's aid budget has frequently been criticised for being relatively small and, in effect, for being a part of its export effort. In 1986, 29 per cent of its aid spending was tied, requiring recipients to spend the money only on Japanese goods and services.

Now, the aid programme is seen by the Government as one of the main ways in which the country can fulfil its enhanced world leadership responsibilities.

Japan, which is now the world's largest creditor, began trying two years ago to improve its aid policy, undertaking then to double its annual overseas aid budget from $3.8bn to $7.6bn by 1992. However, as a result of the sharp rise in the value of the yen, that target was probably reached last year.

Also, because of the country's strong economic growth rate, the ratio of aid spending to Gross National Product, the measure by which industrialised countries compare their aid efforts, has remained ignominiously low. The average among industrialised countries in 1986 was 0.35 per cent but Japan's was only 0.29 per cent. Last year, Japan's spending rate may have crept up *to 0.31 per cent of GNP.*

Early last year, the Government reacted to the new circumstances by bringing its doubling target forward by two years. In response to growing criticism of its huge current account surpluses, it also launched programmes to recycle $30bn over three years in loans to Third World countries and to provide $500m in grant aid to sub-Saharan African countries.

The yen's rise has made it all rather effortless. This year's aid budget is the equivalent of $10bn, which would make Japan the largest supplier of aid in the world, exceeding the US budgeted figure of $8.8bn.

Meanwhile, the criticisms of the quality of Japan's programme, far from abating, have actually increased. Recipients of Japanese loans, for example, are confronted with having to repay in revalued yen, and they are demanding relief.

The major overhaul in the works is intended to deal with all of these problems. Foreign ministry officials say that Mr Takeshita will set specific targets on volume increases in overseas aid when he unveils the plan in Toronto.

The Foreign Ministry is lobbying hard for a target of 0.4 per cent of GNP, which would put Japan in line with the European Community average.

However, the Ministry of Finance is nervous that, because of the high rate of Japan's economic growth, this would mean committing more money to overseas aid in the next few years than could be prudently managed.

The Government also plans to raise the proportion of grant in the overall aid programme – in 1986 it was 81.7 per cent compared with an average of 98.2 per cent in the industrialised countries; make a large portion of aid untied; reduce the interest rates on yen loans; provide relief for debtors affected by the yen's rise.

Another aim will be to diversify the recipients of Japanese aid. Traditionally about two-thirds of aid has gone to East Asian countries, but the Government has accepted that it now has global responsibilities.

While the Government has baulked at US demands that it increase its aid to what the US considers strategically important countries, such as the Philippines, Pakistan, Turkey and Portugal, it is increasingly conscious of its own interests in selecting countries for aid.

For example, the disbursement of the $500m aid in sub-Saharan Africa has been done in part with an eye to winning allies in Africa who might be supportive of Japanese causes in the United Nations. Similarly, Japan will be a major sponsor of reconstruction efforts in Afghanistan, in support of the UN. The country is also eager to help in Iran and Iraq, if and when circumstances permit, because of its dependence on oil imports.

THE LEX COLUMN

BT pleases some of the people

With 22m customers, a workforce of 230,000 and annual sales of over £10bn per annum, a 10.9 per cent rise in British Telecom's annual pre-tax profits to £2.3bn, was hardly going to please everybody. To the workforce, which accounts for nearly half BT's £7.6bn operating costs, the profits give a clue to the sort of wage increases they might be able to look forward to in the coming year, but for customers there must be a certain suspicion that if the company had earned a little less, its quality of service might have been a bit better.

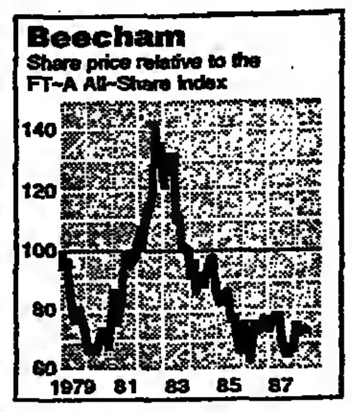
BT is in the uncomfortable position of knowing that however well it does, it will displease some of its constituents, especially during a period when its pricing structure is under review by Oftel. Consequently, shareholders should realise that its latest profit figures are not for their consumption alone; and there must be a certain satisfaction that were it not for the presence of Oftel and the embarrassing level of complaints, the earnings and dividend would have been higher, and the shares would not be trading at a discount of around a fifth to the market.

Fortunately for BT, its efforts substantially to improve its quality of service have been cushioned by a formidable rise in its underlying business over the last 12 months, with growth rates of 8 per cent and 14 per cent for domestic and international calls, respectively. This has enabled it to swallow a 10 per cent plus rise in staff costs. This sort of traffic growth is unlikely to continue in the current year, butthe main imponderable is the outcome of the Oftel discussions. assuming that these are settled favourably, and a reference to the MMC is avoided, the shares should move higher.

French takeovers

The rival bids by Thorn and Emess for a French lighting company are the clearest sign so far of what a shambles 1992 will be unless some kind of common practice can be agreed for the conduct of takeovers. At the moment companies straddle two markets at their peril – as Emess has discovered. It has made a rights issue in London on the strengths of irrevocable undertakings by Holophane's shareholders in Paris, only to discover that those undertakings could be anything but. Yesterday's counterbid from Thorn EMI shows that it, for one, believes that in France such agreements can be bought off by a 15 per cent increase in the offer price. The whole issue will probably be decided by the French courts; but it is hard to see how Paris can hope to become a major financial centre if promises are not made binding.

Thorn is clearly not to be blamed for testing the grey areas in French law. However, its announcement – which hints that its has the support of Holophane, despite the fact that the company itself denies it – is surely to be deplored under any set of market rules. Thorn also seems to be asking its shareholders to believe a great deal about 1992 in offering over 20 times earnings for a little company with an unexceptional record.



Beecham

There are two ways of looking at Beecham's performance. Either the company is pacing itself in order to ensure that it can deliver consistent annual earnings growth in excess of last year's 16.3 per cent, or the new management team is taking longer than expected to restore the group's former momentum. Until the answer is clearer, the shares – currently trading on a prospective multiple of a shade under 13 – may find it difficult to maintain their premium rating. While foreign exchange movements knocked £24m off the pre-tax level, changes in financing charges accounted for the bulk of the reported 15 per cent rise to £405.5m in full year pre-tax profits. Meanwhile, an 11 per cent rise in underlying sales is hardly the sort of figure that will impress investors who like to think of Beecham as a growth company.

To be fair, the group has been investing heavily in its future. Research and development spending is up by 13 per cent and advertising and marketing expenditure has jumped from 18.8 per cent of sales to 21.5 per cent. This should start to show through in higher sales growth over the next year, otherwise questions will be asked. While the group's over the counter business has been performing below par, it has been more than offset by continued strong growth in prescription drugs, with *Amoxil* holding its own and Augmentin sales growing by 62 per cent last year. With luck Beecham should be able to maintain the momentum on this side of its business until drugs, such as Eminase, take up the running in a couple of year's time.

BAA

The City thinks regulated utilities are so dull that it is forever trying to present BAA in a more fashionable guise. At the first sight of it selling teddy bears at Gatwick North, the market toyed with valuing the utility as a retailer; whereas BAA's recent purchase of a smallish property company has set everyone constructing likenesses with Associated British Ports.

Yesterday's announcement shows the folly of such comparisons, and demonstrates that the "dull" business of operating airports can produce profit growth of over 30 per cent. Admittedly, this year will be less good, as the new terminal at Gatwick may cost an extra £12m, and the great 15 per cent increase in traffic last year should return to a more normal 6 per cent or so. Even though reported pre-tax profits could well show another big rise to about £188m, some £16m will be due to a new policy of capitalising interest. As a private company, BAA can do as much window dressing as it chooses; shareholders should only take note that quality of earnings have been traded for quantity.

Meanwhile, yesterday's revelation that the amount of property available for development is a mere 474 acres, much of which is on Prestwick's doorstep, was disappointing to those who were already thinking of BAA as a property company. As a straight utility, BAA is on a multiple about 20 per cent higher than the market, perhaps a bit more than is justified by its monopoly in a gently growing market. But while it may not yet be a retailer, a consultant, a hotelier nor a property group, such opportunities probably justify any extra pennies on the share price.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday June 10 1988

Texas oilmen drop $1.6bn takeover attempt of USG

BY JAMES BUCHAN IN NEW YORK

MR CYRIL WAGNER and Mr Jack Brown, two Texas oilmen who have been attempting to take over USG, yesterday dropped their $1.64bn offer for the big Chicago-based building products group.

Their decision, which follows a series of rebuffs from USG's management and stockholders, means that the big gypsum and wallboard company has escaped its second corporate raid in two years. Under Mr Robert Day, chief executive, USG in 1986 bought out an unwelcome shareholding assembled by the Belzberg family of Canada.

But the brush with the two Texans will leave USG heavily in debt. To win shareholders away from the Texan offer, USG plans to borrow heavily against its business to finance a $1.4bn cash payout to shareholders.

Desert Partners, the limited partnership formed by the two men, said yesterday it was dropping its cash tender offer for 39m shares or 76 per cent of USG. The group, which owns about 10 per cent of the company, said it still believed it would be desirable to gain control.

But the group, which has been stalking USG since at least last October, lost a proxy fight to put its own directors on USG's board last month and was unable to proceed with its offer because of a "poison pill" defensive company by-law.

USG's shareholders are expected to vote in favour of its management's recapitalisation plan next month. The plan involves leveraging the company, which had sales of $2.9bn last year, to pay shareholders a special dividend of $37 a share to cash and $5 in a low-grade security.

USG stock fell $¾ to $45¼ in response to the announcement by Desert Partners.

Seagram jumps 40% in quarter

BY DAVID OWEN IN TORONTO

SEAGRAM, the Canadian wine and spirits company which recently acquired Martell of France and Tropicana, the US fruit juice maker, for more than $2bn, yesterday reported a sharp 40 per cent increase in first-quarter income.

The advance was due entirely to the company's 22.9 per cent stake in E.I. du Pont de Nemours, the US chemicals company.

For the three months ended April 30, the Montreal-based company had net earnings of US$162.5m or $1.65 per fully diluted share against $114.9m ($1.17 a share) in the corresponding year-earlier period.

Sales rose by 12.6 per cent to $936.8m versus $832.1m in 1987.

First-quarter figures include interest expenses associated with both the Martell and Tropicana acquisitions, together with Tropicana's results over a three-week period.

The key to the company's strong performance was a doubling in unremitted earnings from the Du Pont stake.

This item contributed $85.0m to Seagram's bottom line – up from just $41.8m a year ago.

After tax, dividends from Du Pont were worth a further $43.4m against $39.5m in 1987.

Taking both items into account, Seagram's investment in US chemicals contributed almost four-fifths of the group's first-quarter profit.

Income from beverage operations declined marginally to $34.1m from $34.6m in the comparable period last year.

The company noted that strong international unit sales made an important contribution to beverage-related income.

At the group's annual meeting in May, Mr Edgar Bronfman, the chairman, said that Seagram was looking to the Pacific Rim to generate future sales growth.

North America, he said, would probably account for less than 50 per cent of Seagram's total sales volume this year.

Pan Am threatens union with assets sale

By Anatole Kaletsky in New York

PAN AMERICAN, the struggling US international airline, yesterday took a further step towards an all-out confrontation with its 21,000 employees by threatening to sell aircraft, terminal facilities, routes and other assets "without limitation" if unions rejected pay cuts worth $180m a year.

Pan Am's unusual threat came in the form of a boardroom vote on a financial survival plan in the event of a stalemate in its negotiations with the unions. The board could "not wait any longer to put together some alternative plans in the event that labour concessions were not forthcoming," the company said.

So far, Pan Am has signed labour concession agreements with only two of its unions, representing pilots and flight engineers. These would provide about $70m of annual savings.

The other three main unions, covering mechanics, flight attendants and airport workers, have balked at any agreement, partly on the grounds that they had made bigger givebacks than the pilots in previous rounds of belt tightening.

The threat to take "radical" steps to "resize" all of Pan Am's operations, which was spelt out in a letter sent yesterday to all the company's employees, appears to dash hopes of a major improvement in the strife-torn airline's industrial relations.

These hopes had been raised by a boardroom coup last January which resulted in the dismissal of Mr Edward Acker, Pan Am's controversial chairman.

Many employees had personally blamed Mr Acker for the airline's financial and managerial troubles and his removal was laid down by the unions as a condition for any further pay concessions.

However, soon after Mr Acker's replacement by Mr Thomas Plaskett, a relatively popular and respected manager recruited from American Airlines, the deal on wage concession which the board thought it had sealed with the unions began to unravel.

Kenneth Gooding meets Peter Munk, American Barrick chief

US gold miner digs into ConsGold

MR PETER MUNK, chairman of American Barrick, which was set up just five years ago but is now one of North America's top 10 gold producers, talked yesterday abont his company's recent decision to bny 2.9m shares, currently worth about £31m ($55.8m), in Consolidated Gold Fields, the UK-based mining, finance and industrial group.

He said the ConsGold share price was firmly underpinned by good assets and, on the upside, there was the likelihood of the UK group becoming a bid target.

If a takeover attempt was made, there would be a tremendous battle, Mr Munk predicted. He said that Minorco, the investment arm of the Anglo American Corporation of South Africa, owned 28 per cent of ConsGold, which in turn controlled 49 per cent of Newmont Mining, a company rapidly on its way to becoming North America's biggest gold producer.

Mr Munk said similar arguments applied to American Barrick's purchase of 3.5m shares to Lac Minerals, one of Canada's largest gold producers. The ownership structure of Lac suggested it was also likely to be a takeover target.

American Barrick made its first foray into ConsGold shares last year when it bought a 4.9 per cent shareholding and then sold again in March. There were strong rumours at the time that a consortium had been put together in London to back a bid for ConsGold by American Barrick, bot Mr Munk refused to discuss that yesterday except to say that his company had made a small profit, "about $10m," on the deal.

He pointed out that ConsGold had asked for a UK Department of Trade and Industry inquiry into the way his company had built up its shareholding and the outcome of that investigation was still awaited.

American Barrick has a vested interest in Newmont Mining's future because they have neighbouring properties on one of the world's richest gold deposits, the Carlin Trend in Nevada.

As a result of a deep drilling programme at its Goldstrike property on the Carlin Trend, American Barrick has increased its gold reserves from 3.5m ounces in 1986 to 15m ounces – the fourth-largest known reserves in North America.

It has a joint venture with Newmont for development work on one deep deposit, called the Post, and together they might dig a giant open pit to extract the gold.

Last year American Barrick's six operating mines, including aurface mining at Goldstrike, produced 225,000 ounces of gold and this year the total is expected to rise to 325,000 ouncea. From 1990 onwards, the company expects to be producing at least 750,000 ounces a year from Goldstrike alone, and possibly 1m ounces.

Although American Barrick is flush with cash – it has $277m plus quoted investments of $105m – it will use project finance for the $250m to develop Goldstrike, said Mr Munk.

This was partly to give American Barrick, a yonng company, more credibility by showing that cautious banks were willing to back it with large sums of money.

At the same time, "in these dangerous equity markets, gold companies are well-advised to have a few millions in cash available" because another sustained slump in share prices would possibly present soma takeover bargains, said Mr Munk. He made it clear, however, that his company was not interested in small acquisitions. "We want to make a quantum leap," he said.

American Barrick's cash production cost last year averaged $247 an ounce of gold, but this is likely to drop to $230 as Goldstrike is developed. The company has locked in profitability by buying put options on 880,000 ounces of gold at an average of $420 an ounce and financing these by selling call options on 380,000 ounces at an average call price of $565, with expiry dates in both cases varying over the next three years.

Shareholders vote for Amoco merger

BY DAVID OWEN IN TORONTO

SOME 15 months after the bid was originally disclosed, shareholders of Calgary-based Dome Petroleum have finally approved the C$5.5bn (US$4.5bn) sale of the beleaguered energy group to Amoco Canada.

The company's common and preferred shareholders this week voted 87.7 per cent in favour of accepting the longstanding Amoco offer after a tumultuous five-hour meeting.

Their verdict leaves the way clear for the Alberta Court of Queen's Bench to rule on the fairness of the deal next Monday. If approved, the merger will transform Amoco Canada into one of the largest petroleum producers in Canada.

According to the company's latest annual report to the SEC, Dome's overall liabilities have risen to C$6.6bn, including C$5.58bn in debt. Like others in the Canadian energy patch, the company borrowed heavily to fund an ambitious expansion programme in the early 1980s.

For the three months ended March 31, Dome lost C$111m on revenues of C$406m.

In early morning trading on the Toronto Stock Exchange yesterday, the company's stock rose 1 cent to C$1.40 a share. This followed a 10-cent gain on Wednesday when Dome was the most actively traded stock.

Strong growth seen by Gulf + Western

BY OUR NEW YORK STAFF

GULF + WESTERN, the high-flying New York conglomerate, expects earnings growth of up to 13 per cent and another record year in 1988, thanks to strong performances in its publishing and finance businesses and the runaway success of its film, Crocodile Dundee II.

Gulf + Western, whose stock has risen almost 20 per cent in the past three weeks, reported net income of $63.3m or 45 cents a share in its second quarter to April, on revenues of $1.13bn.

The second-quarter performance was only marginally ahead of the 1987 second quarter, when Gulf + Western booked earnings of $52.7m or 43 cents a share on revenues of $991.9m.

The group said that earnings from television, film exhibition, publishing and the consumer and leasing finance business increased, but Paramount, the film studio, made a lower contribution. Gulf + Western said that strong international receipts for the film Fatal Attraction in the second quarter of this year could not compete with last year's blockbusters such as Star Trek IV and The Golden Child.

Since the quarter ended, Crocodile Dundee II has opened to spectacular success, grossing more than $50m at the box office in the first two weeks.

Policies push Thorn and Ericsson apart

BY TERRY DODSWORTH IN LONDON

THORN EMI's withdrawal from its joint venture with Ericsson in telecommunications equipment manufacturing is the result of changes in the direction of both companies over the past few years.

For Thorn, this reorientation has led to a steady disposal programme since 1985, when the group ran into financial trouble after a period of over-expansion.

Since then, it has sold its cinema business, abandoned its ambitions to become a leading player in the video field, disposed of its domestic appliance activities, and pulled out of television and video cassette recorder manufacturing.

Its 51 per cent stake in Thorn Ericsson was an obvious contender for divestment as well. Under its present management team, the company has put heavy emphasis on activities which are already established overseas, or which have the potential to be developed into international businesses.

Thorn Ericsson satisfied neither of these criteria, because it was set up specifically to serve the UK market.

At the same time, Thorn had no real control over the destiny of the joint venture, first established in 1973.

Despite its 51 per cent shareholding, the UK company was in a commercial sense the junior partner since the technology in the business came from Ericsson, one of the world's leading telecommunications groups.

Ericsson similarly has recently been showing signs of dissatisfaction with a joint venture that has outlived its usefulness.

The Swedish company has itself been rationalising and reorganising over the last few years, leading to a big shift in Ericsson's geographical sales, of which 70 per cent now go into Western European countries as opposed to 50 per cent five years ago.

Last year, it pulled off a significant coup when it gained entry to the French public telephone exchange market; the takeover of the whole of Thorn Ericsson gives it sole responsibility as the second supplier in the UK in competition with Britain's GPT consortium of Plessey and the General Electric Company.

It will also give the group greater flexibility in moulding the future of the British business.

The deal also illustrates the steady opening up of the UK telecommunications market to foreign suppliers.

When Thorn Ericsson won its bid to become a supplier of digital exchanges to British Telecom three years ago, the name of Thorn was an important component in gaining the upper hand over other foreign competitors.

Today, the British market is known as one of the least protected in the world.

Ericsson is not saying as yet how much it will be paying for Thorn's stake.

But analysts believe it will be about £60m to £70m - an adequate return, they say, for Thorn, and a reasonable sum for Ericsson to be paying for sales of about £130m ($235m) a year.

Citizens Financial sees growth

By James Buxton in Edinburgh

CITIZENS FINANCIAL, the Rhode Island-based bank being acquired by Royal Bank of Scotland, expects to continue to expand by acquisition and to more than double in size in the next five years, Mr George Graboys, the bank's president and chief executive, said yesterday.

Royal Bank of Scotland, the Edinburgh-based clearer, agreed in April to buy Citizens for $440m. The deal is expected to complete all its approval procedures by the end of November.

Citizens is a regional bank with 30 branches in Rhode Island and loan production offices in neighbouring New England states.

In the past two years, its assets have risen from $1.9m to $2.6bn. Last year, it made pre-tax profits of $43.6m.

Mr Graboys, who was in Edinburgh, said that Citizens, which has grown by acquisition in the recent past, expected to expand further in the same way.

It was legally permitted to make acquisitions in the New England states.

He expected that by the time it had fulfilled its ambitions in New England over the next five years, banking regulations would have been further liberalised to allow it to expand elsewhere in north-eastern US.

He anticipated that it might have assets of $6bn or $7bn in five years. The takeover had strengthened Citizens' competitive position in Rhode Island.

Move to break Polysar and Nova impasse

By Robert Gibbens in Montreal

MR ANDREW SARLOS, the Toronto investment manager, is leading a group of institutions trying to break the impasse between Nova Corporation and Polysar Energy and Chemical. They are proposing to sell their Polysar stock to Nova at C$17 (US$13.90) a share.

Nova already has a 25 per cent voting interest in Polysar, and failed to get four of its nominees into the Polysar boardroom at last month's annual meeting. Nova, a major western energy and chemicals group, had been fighting for six months to gain control of Polysar.

Bulk of Barlow Clowes funds 'transferred'

BY NICK BUNKER IN LONDON AND JOE GARCIA IN GIBRALTAR

LIQUIDATORS of Barlow Clowes International (BCI), the deeply troubled Gibraltar fund manager, have so far located on the Rock only about £1m or £2m out of an estimated £138m ($248m) owed to about 11,000 investors.

Tha rest is thought to have been transferred to the Channel Islands, to another of a string of investment companies founded by Mr Peter Clowes, said Mr Nigel Hamilton, a partner of Ernst & Whinney, BCI'a provisional liquidator.

There are fears that as much as 30 per cent of the £138m may not be recoverable easily, if at all. About 95 per cent of BCI's customers are thought to have been UK residents, many of them elderly people attracted by the apparent security of BCI's funds, which were largely invested in high-yielding British government gilt-edged securities.

Local observers believe that British expatriates living on the Costa del Sol in Gibraltar's Spanish hinterland may have invested about £8m, lured in by the attractive returns advertised by BCI locally. Some people have arrived in Gibraltar crying at the prospect of losing their life savings.

The ripples of the affair locally drew officials on the Rock to stress that they were planning to strengthen their investor protection laws. A new law incorporating certain provisions of the Uk's Financial Services Act, was "at a very advanced stage", Mr Eric Thistlethwaite, the attorney general, said. It could come before the Rock's parliament in the autumn after the summer recess, he said.

The Barlow Clowes crisis appears to be providing fresh impetus to the introduction of new controls.

Mr Joe Bossano, the Rock's chief minister, said: "The Barlow Clowes experience does not do us any good, although it is not particularly damaging because the company was not Gibraltar-owned, but UK-owned.

"It would have been worse if Gibraltar's professional people had been involved."

Confirmation that only a small portion of the £138m invested with BCI remains in Gibraltar emerged yesterday as Ernst & Whinney completed its first day of investigations into BCI's affairs.

The firm was formally appointed as provisional liquidator late on Wednesday evening, following a decision to wind up the company taken on Tuesday by BCI's British parent James Ferguson Holdings. BCI is an associate of Barlow Clowes Gilts Managers, tha UK investment company now being wound up by the authorities in London.

Mr Hamilton said he thought the rest of the £138m in BCI had flowed into another Clowes company, Barlow Clowes and Partners (Jersey). This was not unexpected, he said, because the Gibraltar company was chiefly a marketing outlet. But he added: "We are rather fighting in the dark, because we don't have records for the Jersey company."

These are thought to be with Mr Clowes himself, whose whereabouts were uncertain yesterday, although it is known that he is not in Gibraltar. Mr Paul Gordon Saker, his London solicitor, did not return repeated telephone calls yesterday.

Mr Hamilton said Ernst & Whinney would now take steps to obtain the Jersey company's records. "Wa can get various orders through the courts," he said.

Mr Hamilton said he was also seeking to take possession of the *Boukephalas*, a luxury yacht moored at a Spanish harbour. Asked whether he could do so without firm proof of the yacht's ownership, Mr Hamilton said: "I'll have a damn good try. If you take the view that it forms part of the assets then we ought to be able to get hold of it."

The *Boukephalas* is thought to have formed part of a category of assets of "problematic value" referred to in the winding-np petition for BCI, which was submitted to the Gibraltar Supreme Court on Tuesday.

The petition said BCI's assets consisted "partly of other investments, in real property developments and otherwise, some of which are of problematic value and not easy to collect within a short period of time."

In a separate development, a Gibraltar barrister Mr Louis Triay QC, representing some Barlow Clowes investors from the UK, will be seeking the appointment of receivers in the Rock's Supreme Court this afternoon, as an alternative to the appointment of liquidators which has already taken place. Appointing receivers could allow BCI to stay alive as a going concern.

But Mr Charles Gomez, the Gibraltar barrister acting for James Ferguson plc, said he had misgivings abont having receivers being appointed because it would increase administration costs which were already bound to be high.

Carrefour hostilities with Castorama end in partnership deal

BY PAUL BETTS IN PARIS

ONE OF the longest running French takeover sagas had a happy ending yesterday when Carrefour, the large French hypermarket group, and Castorama, the country's leading chain of do-it-yourself stores, decided to patch up their differences and become partners.

It all started 10 years ago when hostile takeovers were still a rare phenomenon in France. After acquiring a 25 per cent interest in Castorama in 1978, Carrefour rapidly increased its stake to 47 per cent.

But Castorama had no intention of being consumed by the huge hypermarket chain whose sales last year totalled FFr56.5bn ($9.7bn). Its founders formed a holding company called Dubois Investissements to group together a 53 per cent majority shareholding in Castorama and block Carrefour's predatory moves.

The situation was in a stalemate for several years until a new generation of managers arrived at Carrefour and conversations were launched two years ago between the two groups to try to end the impasse.

The arrangement finally reached yesterday was engineered with the help of Crédit Commercial de France (CCF), the banking group.

It involves a FFr450m share transaction whereby Carrefour will sell to Dubois its stake in Castorama. This will increase Dubois' control of the DIY chain from 53 per cent to about 95 per cent.

In exchange, Carrefour will acquire a 33 per cent stake in the Dubois holding company through a capital increase.

But to underline the friendly nature of the pact, Carrefour is not taking the additional 0.4 per cent to give it a 33.4 per cent blocking minority stake in Dubois. The rest of Dubois' capital will split between its founders and employees, holding 25 per cent, and the public, with 42 per cent.

Senior executives of the two companies underlined yesterday the intention of the two groups to work together while remaining independent. Dubois expects to draw on Carrefour's international experience to help the DIY chain develop outside France.

Castorama has grown rapidly in the last few years and its sales are expected to increase by nearly 20 per cent to about FFr6.5bn this year.

But with domestic growth opportunities shrinking, Castorama needs to expand in Europe. It is planning to open a store in Milan this year and is negotiating to open a store in West Germany. The company is also keen to invest in Spain.

During the last three years, Carrefour has made a number of alliances with groups involved with specialty retailing in sectors ranging from furniture to shoes. Mr Michel Bon, Carrefour's managing director, said relations with these partners had been harmonious up to now.

Foreign operations boost turnover at Plate Glass

BY JIM JONES IN JOHANNESBURG

PLATE GLASS & Shatterprufe Industries, the South African glass and building materials distributor, lifted sales by more than a third in the year to March, helped by foreign operations which contributed almost two thirds of turnover and half of the consolidated earnings.

Turnover increased to R2.32bn ($1bn) from R1.68bn and the pre-tax profit was R174.0m against R115.5m.

The directors say the local glass and wood products divisions produced results which were ahead of budget.

Outside South Africa, cautious sales forecasts were made after last October's stock market collapses. However, group trading companies ended the year on a strong note, the board reports.

The rand's progressive weakness enhanced export opportunities. Net earnings increased to 401 cents a share from 305 cents and the year's dividend has been increased to 185 cents from 145 cents.

Haig Simonian on obstacles to a smooth merger of two German banks

Landesbanken face rocky marriage

MR HERBERT Kazmierzak, the chief executive of Hessische Landesbank (Helaba), West Germany's 11th largest bank, is not a man prone to hyperbole. So when he admitted publicly late last month that his bank was in merger talks with Westdeutsche Landesbank (WestLB), its bigger neighbour based in Düsseldorf, many were surprised.

In fact, it was less than a revelation. The two institutions have been looking carefully at a marriage for months. If it comes off, it would be the first, and most important, step in a likely courtship round among Germany's Landesbanken that could reduce the present 11 to about five banks at most.

Talk about mergers between Landesbanken, which are jointly owned by state governments and regional savings organisations, is nothing new. But while many observers have already married off WestLB and Helaba, few have looked carefully at the intricacies of a match.

On the surface, a link between WestLB, Germany's biggest Landesbank and its fourth biggest bank overall, and Helaba is a marriage made in heaven.

The banks are based in two of the country's most important and central states, which conveniently adjoin. Helaba's key Frankfurt location is a useful counterbalance to the weight of WestLB, which, with total assets of DM152.5bn ($89.2bn), is slightly more than twice as big.

More important, it looks as though the two state governments of North Rhine Westfalia and Hesse, which could easily scupper a deal if they chose, are in favour.

The apparent lack of political obstacles between a Social Democrat administration in North Rhine Westfalia, WestLB's home, and a Conservative one in Hesse contrasts with the past, when tentative feelers between the two banks were said to have been blocked politically at a time when both states were Socialist-run.

Many of the arguments now being submitted to support a union are familiar. Most bankers

Friedel Neuber: emphasised WestLB's need to grow

believe that size has become increasingly important in German banking, and few more so than Mr Friedel Neuber, WestLB's chief executive. Earlier this month, he emphasised WestLB's need to grow even if its talks with Helaba fell through.

The need for size is twofold. The Landesbanken, which are umbrella organisations for regional savings banks, are being squeezed from both the top and bottom. While competition from the country's big private-sector banks has grown, the biggest savings banks are increasingly looking to poach business from their Landesbanken.

Thus savings banks in North Rhine Westfalia, including powerful institutions like the Cologne and Düsseldorf City Savings Banks, want to change the law which forbids them from conducting certain sorts of business, like equity trading, currently reserved for the Landesbanken.

Says one observer: "Many of the biggest savings banks should be seen as substantial regional banks in themselves."

While such market pressure is not new, the prospect of 1992 has sharpened thinking at many Landesbanken and made them increasingly marriage-minded.

In post-1992 Europe, neither Helaba nor WestLB thinks it has the muscle to compete alone with the biggest banks. The question is whether to join forces and form Germany's second biggest bank, only trailing Deutsche Bank, or risk being relegated to regional niche players.

A merger certainly seems to make strong business sense. Both banks had their fingers badly burned in the 1970s and 1980s, though for different reasons, and as a result now have complementary structures.

Helaba came close to disaster in the mid-1970s after heavy building loans turned sour when the Government tightened monetary policy and investment in bricks and mortar was no longer such a good hedge against inflation. It had also taken on some lesser quality participations in an ill-advised race for growth.

WestLB's troubles came slightly later, with domestic problems at groups like AEG, DAL and Neue Heimat, where the bank was heavily committed. This was followed by the international debt crisis, where WestLB's generous lending, especially in the case of Mexico, put the bank under pressure.

WestLB suspended dividend payments for a number of years as profits were ploughed back into reserves. It only started paying back its shareholders in 1986.

Helaba's balance sheet was viciously purged by Mr Heinz Sippel — ironically a former WestLB board member who was brought in to clean up the bank.

Says one banker: "It was an enormous feat of strength, but he may have gone too far." As a result, the bank has turned extremely cautious in recent years, with "riskier" or more innovative areas like investment banking and securities downplayed. On the other hand, its sovereign debt exposure is limited and is probably very well provisioned, while its credit business is very solid.

It is a different picture at WestLB, the size of which allowed it to carry on growing in spite of its troubles. Fixed-income trading and treasury in general are two strengths, as is building finance. But it is international business and investment banking, pushed particularly strongly in the 1980s, where the fit with Helaba is best.

Developing both areas has been expensive, and it is not yet clear whether WestLB generates enough business on its own to sustain them in the long term.

What then are the problems? Surprisingly, organisational rather than egos seems to be the prime handicap. The banks have different computer systems, while up to 2,000 jobs could go following a merger.

The importance of efficient management information systems should not be underestimated. Some WestLB old-timers recall how long it took for the bank to settle after the fusion between its two constituent parts back in 1969.

One banker even suggests that the distraction caused at the time, along with inadequate management information about the merged unit, lay partly to blame for its subsequent difficulties in the 1980s.

Thus it is argued that matching up WestLB and Helaba — a much bigger proposition — would gobble up huge amounts of management time just when executives should be concentrating on the challenges of the European Community's free market in services after 1992.

North Rhine Westfalia, facing a welter of problems in traditional industries like coal and steel, would have to work hard to avoid the impression of "losing" its Landesbank to Frankfurt. Some might even press for hiving off WestLB's regional development activities into a separate regional development bank.

Such consideration may make the two banks shy of a full merger to begin with, and persuade them to look at less ambitious options like a jointly-owned Frankfurt subsidiary.

Either would be less than what WestLB's Mr Neuber, in particular, has in mind, but the analyses and discussions now taking place may yet counsel a more cautious approach to the altar.

Turnround in sales helps Mitsui to 50% profit rise

BY OUR FINANCIAL STAFF

MITSUI & CO, Japan's leading trading house, boosted worldwide net profits by more than half to reach Y23.15bn ($184.3m) in the year to March, compared with Y15.23bn.

Sales rose 11.4 per cent to Y15,779bn, reversing a 21.6 per cent setback the year before. The turnround came on a sharp increase in its dealings between foreign countries in petroleum products and non-ferrous metals where revenue jumped 38 per cent to Y4,599bn.

An expansion of trade in petroleum products also pushed imports up 6.2 per cent to Y2,383bn but exports continued to slide, down 8.1 per cent to Y2,693bn, affected by declines in demand for Japanese metals and machinery.

Net earnings per share were Y18.25 against Y12.60.

● General Sekiyu, a Japanese oil refiner in which Exxon of the US has a large minority, more than trebled its consolidated net earnings for the March year to just on Y8bn, from Y2.54bn.

Sales were a bare 0.8 per cent higher at Y426.9bn. The company benefited by selling down stocks of energy products acquired at higher prices.

Goodman sells two NZ units

By Our Financial Staff

GOODMAN FIELDER Wattie, the Australasian foods combine, has found Australian buyers for two New Zealand units, bringing near to completion a disposal programma which the Commerce Commission in Wellington made a requirement of its recent merger.

The group sold its Wellington Flour Mills to Allied Foods, a local arm of George Weston, an Australian-based food producer. Fermentation Industries NZ, an Auckland yeast maker, has gone to Beverage Services, a division of Burns Philp, the Sydney trading company. On neither deal was the price disclosed.

Goodman Fielder has until June 30 to complete its divestments after failing to meet an initial mid-April deadline. The company blames the commercial environment in New Zealand for the delay, but says only a small flour mill in Invercargill remains to be shed.

The Commerce Commission is, however, continuing investigations into Goodman's sale of two North Island bakeries on the grounds that they are still substantially influenced by the company.

● Wellesley Resources, a New Zealand property developer, plans to sell its equity investments and several properties because of a downturn in development activity. Mr Graeme Bringans, the chairman, said these would reduce debt to about NZ$80m (US$55.9m) from NZ$220m.

Investments include a half share in Brierley Cromwell Property, a joint venture with Brierley Investments.

● The New Zealand Government plans to sell the Government Printing Office by tender as part of its privatisation process.

The unit has an asset value given as some NZ$75m, annual turnover of NZ$100m and a staff of 850. Mr Richard Prebble, State-Owned Enterprises Minister, said the company could be sold piecemeal.

"There is no social or commercial reason why the Crown should own a printing company," he added.

● DFC New Zealand, a state-owned investment bank which is also on the privatisation list, yesterday reported net profits down by more than a quarter to NZ$26.5m in the year to March from NZ$36.3m. The result this time excluded extraordinary losses of NZ$4.7m.

Gucci management in dispute with new stockholder

BY ALAN FRIEDMAN IN MILAN


Maria Martellini: 'essential to work together'

THE FUTURE of the Gucci luxury leather goods and fashion accessories house was yesterday thrown into a state of confusion following a dispute over management control between shareholders of the company.

Investcorp, the Bahrain-registered investment bank that has secretly built up a 47.8 per cent Gucci stake, was blocked on Wednesday night from securing a majority of five out of the nine seats on the Gucci board of directors.

Investcorp's representatives, who also had the backing of Mr Roberto Gucci and his 2.2 per cent equity stake, were told by the court-appointed custodians of Mr Maurizio Gucci's 50 per cent stake that they would not agree to hand over effective control of the company. The custodians speak for the 50 per cent stake because Mr Maurizio Gucci is facing various criminal charges.

According to one executive who attended the Gucci meeting the two opposing shareholder camps "found themselves at an impasse with each side holding 50 per cent of the company."

Mrs Maria Martellini, the professor of business who has been serving as Gucci chairman since last August, said there had been no disagreement on matters of substance. "When we talked about the business plan everything was fine. Now it is essential for Gucci that we all get together and work for the common interests of the company," she said last night.

Mrs Martellini had earlier said she looked forward to meeting Mr Paul Dimitriuk, the Investcorp executive who masterminded the purchase of Gucci shares in the group's Italian, US, British, French and Hong Kong companies. Mr Dimitriuk flew into Milan yesterday, saying ha regretted it had not been possible to introduce himself to the Gucci management until now.

He was hoping to meet Mrs Martellini later last night or this morning. He admitted that Investcorp had sought five of the nine board seats, but claimed that the dispute over control was not a serious problem.

"We at Investcorp are also prepared to accept equal board representation on a 50-50 basis," Mr Dimitriuk said last night, adding that in his view "this deadlock is not definitive."

Mr Dimitriuk stressed it was "not surprising that both sides are looking each other over" and insisted: "We are not attempting to make a power play."

Hungarian haulier plans public share issue

By Kevin Brown, Transport Correspondent, in Budapest

HUNGAROCAMION, the state-owned Hungarian road haulage organisation, plans to raise up to Florints 2bn ($42.5m) via a public share issue, Mr Imre Torma, general manager, said yesterday.

He said Hungarocamion would be one of the first to take advantage of proposals to allow Hungarian companies to issue shares.

A bill authorising share issues is passing through parliament in Budapest, and is expected to become law in the summer. A small stock exchange is expected to be established to provide a market in the shares.

Mr Torma said the state would retain a majority stake in Hungarocamion, which was valued at Florints 5bn. The share issue would represent between 25 and 40 per cent of the value of the company.

The capital raised by the issue would be used to modernise the company's fleet of 1,800 lorries. This process was begun in 1985 with the aid of a $40m World Bank loan.

Mr Torma said Hungarocamion made profits of more than $17m before tax last year, on turnover equivalent to $115m. The company operated without state subsidies.

Hungarocamion, which was set up in 1966 to service Hungarian foreign trade, is one of the largest road hauliers in Eastern Europe.

The company will remain committed principally to carrying Hungarian foreign trade, but hopes to diversify into more sophisticated distribution activities which are increasingly required by domestic and overseas companies, Mr Torma said.

Pernod wins Coca-Cola ruling

BY PAUL BETTS IN PARIS

PERNOD RICARD, the French drinks group, has won the first round in its legal battle against Coca-Cola, which recently broke off production and distribution agreements with Pernod dating back to 1949.

Pernod had agreed to negotiate a settlement with Coca-Cola last January but the two companies disagreed over the amount of compensation Pernod sought from the US company. At the time Pernod claimed that Coca-Cola had made an unacceptably low compensation offer.

Relations between the two groups worsened when Coca-Cola decided not to renew a number of Pernod marketing concessions in different parts of France. The French group subsequently took the issue before the Paris commercial tribunal, which this week ruled in its favour.

Coca-Cola immediately appealed against the ruling – to resume normal commercial relations with Pernod. The court has also decided to name two officials to help the two companies reach an acceptable compromise.

The issue is significant for Pernod since its longstanding French Coca-Cola licence business accounts for about 10 per cent of group annual sales of FFr12.5bn ($2.15bn). Pernod claims that between 1949 and 1980, the French Coca-Cola operations lost money. However, they have become increasingly profitable since then.

Coca-Cola has been seeking to take direct control of its soft drink operations in several European countries. In France, there are also understood to have been disagreements with Pernod over capital investment and development policies.

Moët group in talks to buy Leroy stake

By Our Paris Staff

LVMH, THE French Moët Hennessy Louis Vuitton champagne, cognac, luggage and perfume group, is negotiating to acquire a large stake in the Burgundy-based Leroy wine merchant and grower as part of its drive into new luxury goods businesses.

The deal involves LVMH's Veuve Cliquot champagne subsidiary, which is planning to buy a substantial minority stake in Leroy, which distributes some of the best known Burgundy wines including the rare and prestigious Romanee Conti.

Leroy, which also distributes the Domaine de Richebourg and the Domaine de la Tache, among other famous Burgundy wines, also owns vineyards in Burgundy. Its annual sales total about FFr35m ($6m). The deal would represent LVMH's first move into non-sparkling French wines. The company produces Moët Chandon champagne as well as Veuve Cliquot.

The proposed wine takeover coincides with plans by LVMH to buy the Givenchy fashion house, one of the most prestigious haute couture names in Paris. Through Veuve Cliquot, LVMH already owns the Givenchy perfume side.

The LVMH group was formed last year through the merger of Moët-Hennessy and Louis Vuitton. It recently reported net profits of FFr1.34bn on sales of FFr13.25bn for 1987.

Modest advance in profits for French reinsurer

BY GEORGE GRAHAM IN PARIS

SCOR, THE French reinsurance group, reports net profits of FFr180m ($31m) for 1987, slightly up from the previous year's FFr176m, despite a FFr45m provision for potential capital losses on its securities portfolio.

Group sales rose by 9 per cent to FFr4.44bn after adjusting for currency fluctuations and for changes in group structure, and earnings rose in all operating subsidiaries.

The parent company reported sales of FFr3.36bn last year. Scor once again set aside substantial reserves, but its technical reinsurance results improved sharply to a loss of FFr12m after a technical loss of FFr216m in 1986.

Current investment income rose to FFr377m from FFr359m the previous year, but overall financial revenues were slightly lower as a result of lower capital gains, leaving parent company net earnings at FFr115m, up 26 per cent from the previous year.

Scor, chaired by Mr Patrick Peugeot, has been turned round sharply after losing money continously from 1980 to 1984.

Its restructuring plan introduced in 1983 – when the group lost FFr462m – brought the main French insurance groups of both the state and private sectors into its capital and strengthened its equity base.

The group recently announced that it was buying La Vittoria Riassicurazioni, the reinsurance subsidiary of the Agnelli group's Toro insurance operation, for FFr690m. The purchase is expected to provide Scor with a major *foothold in the rapidly expanding* Italian insurance market.

Scor said yesterday that last year's results were achieved in a much more difficult environment, with lively competition, a large number of major accidents, and siezeable swings in exchange rates and securities markets.

Christiania ahead at four mouths

CHRISTIANIA BANK, Norway's second largest banking group, reports an improvement in profits before tax and loans from NKr382m to NKr401m ($64m) for the first four months of 1988, writes Karen Fossli in Oslo.

The bank said interest margins had improved, showing a clear upturn. It added that the positive developments seen so far this year were expected to continue.

Bergen Bank group increased its first four-mouth operating profit before loan losses to NKr445m, compared with NKr397m in the same period last year. Operating margins rose to 1.39 per cent from 1.21 per cent for 1987 as a whole.

Philipp Holzmann sees further growth

BY ANDREW FISHER IN FRANKFURT

PHILIPP HOLZMANN, the West German construction concern, expects a further slight improvement in profits this year after a promising start in both the domestic and the US markets.

In 1987, it raised group net profits from DM20.7m to DM23.2m ($13.5m), after a sharp drop from DM28.5m in 1985. Turnover was 11 per cent lower at DM5.8bn last year, partly because of the sharply lower dollar and partly because of a drop in US and other foreign business. The order backlog at the year-end was down by 13 per cent to DM4.6bn.

The dividend is being held at DM10 a share.

The company said that turnover in Germany had risen by 11 per cent in the first five months of 1988 to DM902m. One of the reasons for the country's higher than expected economic growth this year is the surge in building activity caused by the milder weather in the early months.

In the US, where Philipp Holzmann has been taking a more selectiva attitude towards new contracts, turnover was up by 12 per cent to $576m. But in other countries, notably the Opec members, there was a downturn. Because of this and the lower dollar rate, the group's total turnover in the first five months was flat at DM2.04bn.

The order level in Germany was 13 per cent higher in the January-May period at DM2.2bn, though falling by 4 per cent to $1.2bn in the US. Total orders were 5 per cent higher in May *compared with end-1987. Overall,* the company said it expected moderate growth in German building activity in 1988, the impetus coming only from the housing and commercial sector. It also expected higher US construction levels.

Peter Bruce in Madrid looks behind the scenes of Spain's biggest ever banking event

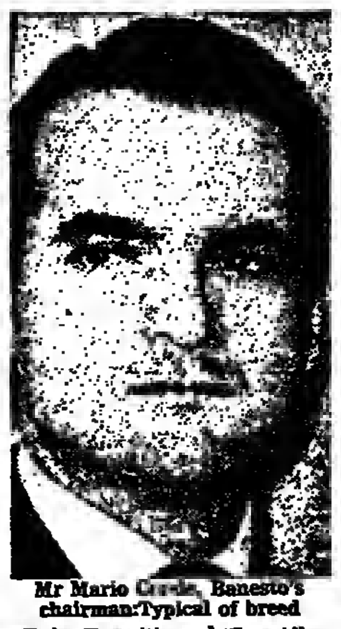
Playground warfare in pinstripes

THE OFFICE of the Governor of the Bank of Spain is a sumptuous but dark old place and far too big for one man to spend too long alone in. Luckily for Mr Mariano Rubio, the present incumbent, he is much in demand as the country's biggest ever banking event, the proposed merger of Banco Central and Banco Espanol de Credito (Banesto), becomes more and more complicated and nasty.

On Wednesday he received Mr Alfonso Escamez, the chairman of Central, the country's biggest bank, and Mr Mario Conde, chairman of Banesto, the number two bank. The day before, he played host to "Los Albertos" – two rich, successful, young cousins who made their fortune in the construction industry but who are now showing an unhealthy interest in Central and Banesto, or Banco Espanol Central de Credito (BECC) as the merged unit will be known.

The meetings are largely theatrical. On Monday Alberto Cortina and Alberto Alcocer let it be known that their joint venture with the Kuwait Investment Office (KIO), Cartera Central, had spent Pta6.5bn ($57.5m) buying 2 per cent of Banesto. The Conde team have remained silent but leaked, apparently, shock and amazement at the fact that they were not consulted. Nonsense, retorted Cartera Central and, probably rightly so, pointed out that Mr Conde and his partner had not exactly advertised their raid on Banesto shares that preceeded his elevation to the chairmanship last year.

Mr Alcocer and Mr Cortina are a phenomenon in Spain. Publicity shy and extremely well conected, they teamed up with KIO late last year to buy a large stake in Banco Central. All told, the Cartera Central partners can count on control of 13 per cent of Central, making them its biggest shareholder. They have not been welcome, though, and it is widely believed that Mr Escamez sought a merger with Banesto to shake off the Kuwaitis and "Los Albertos".



Mr Mario Conde, Banesto's chairman: Typical of breed

It has not worked. Given that Bank of Spain regulations make it difficult to buy more than 15 per cent of a bank, Cartera Central decided last week, in consultation with its new financial advisers, Salomon Brothers, that the best defence of its position in Central was to buy heavily into Banesto as well. The Cartera partners have said they want up to 7 per cent of Banesto, which would give them around 10 per cent of the merged bank and make them still its biggest shareholder.

Cartera Central initially said it was negotiating to buy up Banesto stock below the current market price but above the Pta5,950 set as the accounting basis for the merger and there is little reason to believe they will not get what they want. By mid-afternoon yesterday, a Cartera official said, they had not moved beyond 2 per cent but he agreed the purchases would have to be done quickly. It is possible that Cartera could score up to 5 per cent of Banesto by the end of today. "Banesto," he said, "is costing us well over Pta6,000 a share."

They have the money. Shortly before the merger announcement, Cartera decided to raise new capital and although the joint venture is headed by the two Spanish cousins, its financial muscle is Kuwaiti. (KIO recently transferred its 48.8 per cent share in Cartera Central to its major industrial affiliate in Spain, the Catalan paper manufacturer Torras Hostench but there, too, the Kuwaitis hold the purse strings).

To back off from Central now, after fighting hard against Mr Escamez for seats on its board, could damage KIOs credibility as a determined, long-term, investor in Spain. Cartera Central was formed late last year at KIOs initiative. Mr Alcocer and Mr Cortina sold some prime Madrid land to KIO and used their share of the proceeds – Pta21bn – to fund their 51.2 per cent of Cartera Central. KIO pumped in another Pta19bn.

Cartera's main difficulty now was to argue away the rather pompous defence being put to the Government by Mr Escamez – BECC, he said yesterday, should be a Spanish bank and not have any foreign capital in it. This is a bit thick, because it was Mr Escamez himself who, needing fresh capital at Central, invited KIO to buy 4.95 per cent of his bank in October 1986. Their relationship soon turned sour but it is this holding that has now grown to Cartera Central's 13 per cent ownership of Central.

The Albertos have taken great care not to alienate the Government and usually tell the Bank of Spain of every share purchase in advance. The practice has done them no harm. In their meetings with the authorities this week the Albertos have argued that they have had little choice but to move on Banesto.

Despite having two members on the Banco Central board, Mr Escamez has refused to provide them with any of the bank's accounts and has refused to take them into his confidence over the way the merger with Banesto will work. The two cousins, said Cartera, simply feel they have a better chance of talking to Mr Conde once they have 7 per cent of his bank and become its main shareholder too.

In many ways, Mr Escamez is the odd man out here. He is 72 and close to retirement. Los Albertos, the main KIO associates in Spain, the main Government leaders and Mr Conde belong to Spain's modernising generation. Mr Conde is 39, Mr Alcocer is 45, and Mr Cortina is 42. It is Mr Conde, banker, nightclub owner, tanned and smooth, his hair greased back to perfection, that typifies the breed.

He and the Albertos are sometime hunting partners and even KIOs chief associate in Spain, Mr Javier de la Rosa, was recently proclaiming friendship with the Banesto chairman.

And although there has been no contact at all with Banesto for the past six weeks it is still hard to know whether the Cartera share raid really is viewed as hostile in Banesto. Its reputation as a bank, despite all the advantages of being a Spanish (hence protected) one, is poor and Mr Conde knows it. There is also no reason to believe that the potentially revitalising presence of Cartera Central in both banks would do them anything but good.

But Mr Escamez's obsession with Los Albertos and KIO also has to be kept sweet, which may account for any show of hostility to Cartera Central by Banesto. This is playground warfare in pinstripes. The Central Bank Governor, in his role as the mature and unflappable social studies teacher is said to have been sending everyone away with the same message – "try and work it ont like gentlemen" – but that is easier said than done.

Murray Ohio rejects bid

THE BOARD of Murray Ohio Manufacturing, the US lawnmower and bicycle maker, has unanimously rejected a $200m, or $52 per share, tender offer begun on May 24 by Electrolux of Sweden, the world's leading white goods manufacturer.

Murray said it authorised the company's management, with the assistance of its financial and legal advisers, to explore possible alternatives to the Electrolux offer.

Murray announced on Wednesday that it was holding talks with other parties about a merger or recapitalisation.

Analysts said this decision could prompt a bidding war but was unlikely to deter Electrolux from seeking control

Europe offer for Tenneco

A LITTLE-known European partnership, Gulf Financial Resources, has emerged as the first publicly announced bidder for the oil and gas properties of Tenneco, the Houston-based industrial and energy conglomerate, writes Our New York Staff.

Tenneco put its oil and gas fields up for sale two weeks ago and analysts have estimated that they should fetch at least $5bn.

Gulf Financial was described by Mr Henri Soussan, one of its French-born principals, as a property acquisition company formed in 1986. Tenneco said only that it was "one of many bids"

Industry analysts estimate the properties, which may be sold in pieces or as a complete unit, are worth as much as $7m to $8bn.

Company Notices

GOLD FIELDS OF SOUTH AFRICA LIMITED
(Incorporated in the Republic of South Africa)
(Registration No. 05/04181/06)

CONVERTIBLE REDEEMABLE CUMULATIVE PREFERENCE SHARES
DECLARATION OF DIVIDEND

Dividend No. 8 of 145 cents per preference share for the six months ending 30 June 1988, has today been declared in South African currency, payable to preference shareholders registered in the books of the company at the close of business on 24 June 1988.

Warrants dated 3 August 1988 will be posted to preference shareholders on or about 2 August 1988.

Standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London Office of the company.

Requests for payment of the dividend in South African currency by members on the United Kingdom register must be received by the company on or before 24 June 1988 in accordance with the abovementioned conditions.

The register of members of the company will be closed from 25 June to 1 July 1988, inclusive.

By order of the Board,
per pro CONSOLIDATED GOLD FIELDS PLC.
London Secretaries,
Mrs. G.M.A. Gledhill, Secretary.

London Office:
31 Charles II Street,
St. James's Square,
London, SW1Y 4AG.
9 June 1988

United Kingdom Registrar:
Hill Samuel Registrars Limited,
6 Greencoat Place,
London, SW1P 1PL.

GOLD FIELDS COAL LIMITED
(Formerly The Clydesdale (Transvaal) Collieries Limited)
(Incorporated in the Republic of South Africa)
(Registration No. 01/01124/06)

DECLARATION OF DIVIDEND

Interim dividend No. 150 of 30 cents per share has today been declared in South African currency, payable to shareholders registered in the books of the company at the close of business on 24 June 1988.

Warrants will be posted to shareholders on or about 2 August 1988.

Standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London Office of the company.

Requests for payment of the dividend in South African currency by members on the United Kingdom register must be received by the company on or before 24 June 1988 in accordance with the abovementioned conditions.

The register of members of the company will be closed from 25 June to 1 July 1988, inclusive.

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M. L. HOLDINGS PLC
7% Cumulative Redeemable Preference Shares
8% Debenture Stock [illegible]

NOTICE IS HEREBY GIVEN that the Transfer Books and Registers of Members will be CLOSED on 24th June, 1988 only.

By Order of the Board
J.D.Loveridge
Group Secretary

Exhibitions

[illegible]

Clubs

Eve

Has outlived the others because of a policy on fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St., W1. 01-734 0557.

Legal Notices

NOTICE OF REPAYMENT BANQUE NATIONALE DE PARIS [illegible] FLOATING RATE NOTES DUE [illegible]

Notice is hereby given that in accordance with Clause 5 "Redemption and Purchase" (B) optional redemption by the Company of the terms and conditions of the notes at their principal amount on July 1988 when interest on the [illegible]

[illegible]

Art Galleries

[illegible]

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Firmer price trend whets appetite for new paper

BY DOMINIQUE JACKSON

THE RESILIENCE of the US Treasury market and the strength of the dollar on foreign exchange markets yesterday contributed to an improved tone across the board in the Eurobond market.

However, trading remained limited ahead of US May producer price data due out later today and Eurodollar bonds ended the day largely unchanged *following minor fluctuations in* line with New York.

Primary market activity slowed somewhat in the wake of Wednesday's rush of new issues. However, syndicate managers noted that the firmer trend to most secondary market prices had whetted investors' appetite for new paper in many sectors *and there was a steady stream of* new issues yesterday.

Investors' perceptions of the *dollar bond markets in particular* appear to have undergone a change since the Treasury market started to rally *last* week. Analysts are now predicting that the yield on the key 30-year long bond will fall to below 9 per cent shortly. The yield was at 9.05 per cent by the close of London trade.

Syndicate teams tested the demand for dollars with two deals on Wednesday for American General insurance company and Eurofima. Although both met reasonable demand, yesterday's offerings had an even warmer reception.

Deutsche Bank Capital Markets brought the World Bank to the market with a five-year $300m issue *at* 9 per cent and 101½. This provided a yield premium at launch of 37 basis points (hundredths of a percentage point) over comparable US Treasuries.

The deal met an enthusiastic reception and was bid at a discount well within total fees. Syndicate managers at houses not involved in the deal said the deal was correctly priced for a borrower of the World Bank's standing and had hit a huge pocket of investor demand for top quality dollar straight paper in the five-*year maturity range.*

INTERNATIONAL BONDS

Demand was so great for Credit Suisse First Boston's issue for Norway's Statoil that the deal was soon increased to $250m *from an initial $200m. The four-*year issue was priced at 101⅝ with a 9¼ per cent coupon and *the 79 basis point yield spread at* launch was deemed fair. The issue was also trading comfortably within its fees.

In equity-linked issues, Yamaichi International brought chemical giant Mitsubishi Kasei to the market with a five-year $200m equity warrant deal on which the coupon is indicated *at* 4¼ per cent.

Nomura International led *a* $100m five-year issue for Japan Synthetic Rubber which also carries an indicated coupon of 4¼ per cent.

The Australian dollar sector continued to improve following a bearish run last week. The firmer trend was supported by a better tone to the Sydney futures market after several days of volatility and traders here also said that the recent overhang of new Euro-Australian dollar paper from the last fortnight had been more or less absorbed.

Against this background Westpac Banking led a A$50m three-year issue for Cerinvest, a financing vehicle for Cera, Belgium's largest private savings bank.

The issue was priced at 101.80 and the coupon was set at 13½ per cent, an attractively high level designed to appeal to Belgian retail investors with whom the name will be familiar. The deal traded comfortably within fees, traders said.

Commerzbank in Frankfurt also led a A$40m deal for a financing unit of Standard Elektrik Lorenz. The three-year 13 per cent deal at 101¼ was *bid* at a discount equal of 1⅝, just outside its total fees of 1½.

In *yen, Nomura led a Y10bn* five-year dual currency deal for Mitsui & Company International with a five per *cent coupon* and priced at 101⅞. The deal is redeemable in US dollars at a rate of $8197 per Y1m of bonds.

In West Germany, *domestic* bond prices firmed in active trade this morning following the New York *trend. Gains* were pared slightly however later in the day although net increases were around 40 basis points. Euromark prices finished better by a similar margin across the board in limited trade.

Deutsche Bank led a DM200m issue for Dutch chemical giant Akzo. The five-year 5⅝ per cent deal at 101 was considered on the *tight* side and the deal was bid at a discount of 2⅛ against total fees of 2 per cent.

In Switzerland, dealers detected renewed investor interest, particularly in more recent deals. Nevertheless, most prices finished the day unchanged.

Mitsubishi Bank (Switzerland) led a SFr25m five-year *deal* at 4½ and 100¼ *for Yusen Air and Sea* Service, guaranteed by Mitsubishi Bank.

Late in the day, Credit Suisse First Boston launched another US dollar straight for Canada's Export Development Corp. The $150m 10-year deal carried a 9⅝ per cent coupon and was priced at 101.

Nixdorf Computer sales up 13%

BY OUR FINANCIAL STAFF

NIXDORF COMPUTER of West Germany said group sales rose 13 per cent in the first five months of 1988 from a year earlier. But Mr Klaus Luft, chairman, told the annual meeting he was not satisfied with the profit trend in this period. He called *for aggressive* cost cutting.

Overcapacities in the computer industry are making it difficult this year for Nixdorf to reach its goal of more than 10 per cent sales growth, Mr Luft said. He added that the company was not *planning to change its strategy.*

World Bank plans to raise dollar profile

Stephen Fidler examines bank initiatives to place increased borrowing emphasis on the US currency

THE WORLD BANK has unveiled its borrowing programme for its new fiscal year starting next month, revealing a far greater emphasis on the US dollar than in recent years.

The programme, given approval this week by the bank's executive board, calls for the bank to raise $11.6bn in its 1989 fiscal year starting next month, slightly more than the $11bn in 1988.

But whereas only about 25 per cent of the borrowings – after swaps – will have been in US dollars in the current year, more than half of its post-swap borrowings will be *in the dollars in* 1989.

Mr Don Roth, World Bank Treasurer, said the decision to place greater emphasis on the US currency was based on the institution's cash-flow requirements and itsasset-liability management needs, and therefore should not be interpreted as a forecast about the US dollar.

Within the programme, the bank now has the ability to increase its short-term borrowings through its discount note issues in the US – its equivalent of commercial paper – by up to $1bn *from the current $2.75bn.*

It will also be allowed to tap other short-term markets "if that makes sense," for example in Switzerland or Japan.

There are no current plans for a Eurocommercial paper programme, although the bank now has the flexibility to launch one.

Another element of the plan is a more active management of the bank's interest rate and currency swaps programme, made necessary by the increased need to swap funds into US dollars. This will involve the bank to "inventory management." Since many of *its swaps are transactions* with two or three steps, the bank will now have the ability to hold an uncompleted swap until the other legs of the transaction fall into place.

One consequence of the new emphasis on dollars will be that the bank will be less inclined to follow its recent practice of swapping out of high coupon currencies into low coupon currencies. Nevertheless, the bank intends to keep an active presence in all the main capital markets.

About $2.1bn of the 1988 programme *has been swapped* and the bank estimates average savings on the swaps of 48 basis points. The $11bn raised in 1988 had an average life of 9.7 years and an average post-swap cost of 6.1 per cent.

About $500m of the 1989 borrowing increase will be achieved by expanding to $2.6bn the programme of short-term borrowing from central banks, a cost effective source of funding.

Mr Roth said the bank was hoping to take advantage of the recent capital increase voted by members and a Bank for International Settlements recommendation that the risk weighting for the purpose of capital adequacy ratios on World Bank securities should be zero.

"We hope to be able to establish new benchmark borrowing rates on the best terms ever," he said.

BZ Bank ends talks on merger

By William Dullforce in Geneva

BZ BANK, the small and innovative Swiss bank, announced yesterday that it was withdrawing from merger talks with Bank Leu, *the country's oldest and* fifth largest banking group.

The "unconditional support of all organs" which had been set as a precondition did not appear to be present, BZ Bank said.

An influential element in Bank Leu's management is understood to have resisted the joint venture, although it was backed by *Mr Kurt Schiltknecht, the new* chairman.

He had been brought in to restore the bank's image, shadowed recently by its part in the Guinness affair in the UK and the Dennis Levine insider trading case in the US.

In the merger talks, made known on May 5, a novel structure for Switzerland had been foreseen in which the two banks would have operated independently under a holding company that could have taken stakes in non-banking enterprises as well.

Saudi Arabia begins $8bn bond issue

By Finn Barre in Riyadh

THE INITIAL tranche of Saudi Arabia's SR30bn ($8bn) domestic bond issue, the first government borrowing in 20 years, is due to be issued tomorrow.

The placing will be made with private sector financial institutions in the kingdom – an undisclosed amount has already gone to two large government funds, the General Organisation for Social Insurance (Gosi) and the Civil Service Pension Fund.

The first tranche will be worth *anywhere from SR1bn to SR3bn,* and further issues are to be made each month.

The bonds, issued to cover a budget deficit, are a rare instance of the Government openly paying interest on loans in a country where Islamic law forbids the giving or receiving of interest.

The bonds range in life *from one to five* years, but the exact mix of maturities has not been revealed. Yields will be linked to US Treasury bonds, and the bonds may come in floating-rate form.

One financial expert observed: "Banks will not be buying these to trade. After all, there is no existing secondary market for Saudi riyals, and bankers doubt that one will develop soon."

The issue will cover part of a $10bn deficit in the $37.65bn 1987 budget.

Consumer goods side helps lift Procordia

By Sara Webb in Stockholm

PROCORDIA, THE Swedish state-controlled holding company, reported a 26 per cent rise in profits (after financial items) to SKr443m ($74m) in the first four months. Sales rose by 6 per cent to SKr5.29bn.

Full-year profits are expected to exceed last year's figure of SKr1.34bn.

Procordia said the increase in profits stemmed mainly from improvements at its consumer goods and pharmaceuticals divisions.

In the consumer goods division, operating profits rose from SKr242m to SKr288m helped by increased profitability from tobacco interests and strong demand for light and alcoholic drinks.

Operating profit for the pharmaceuticals division increased from SKr72m to SKr168m, while sales rose from SKr677m to SKr953m.

Feldmühle Nobel unit sees higher output

FELDMUEHLE, the paper-manufacturing unit of Feldmühle Nobel, said world group sales rose to DM982m ($574m) in the first quarter of 1988, from DM939m in the same 1987 period.

Mr Hartwig Geginat, the company's management board chairman, said sales and production for 1988 as a whole was expected to show an improvement.

Crédit Local de France gets to grips with changed status

BY GEORGE GRAHAM IN PARIS

FOR AN establishment less than nine months old, Crédit Local de France is proud of its AAA debt rating, even if it is the largest borrower on the French bond market after the state itself.

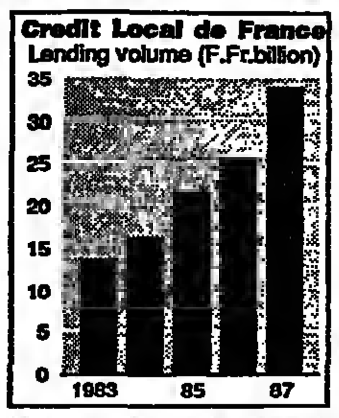
For although Crédit Local, which accounts for about half of the financing of French local authorities, has 20 years of ancestry in the old Caisse d'Equipement des Collectivites Locales (CAECL), it has changed not just its name but also its nature.

Instead of being a state financial institution with the full guarantee of the Government behind it, Crédit Local now has the status of a normal company – controlled, certainly, by the state, with a 47.5 per cent stake, and by the Caisse des Depots et Consignations, the huge government financing network set up in 1816, with 25 per cent.

There are also private shareholders, including French banks, insurance companies and construction industry federations, and even some foreigners, like Crédit Communal de Belgique, Crédit Local's Belgian counterpart.

In former days, French local authorities' funding requirements were met overwhelmingly through the regulated "Livret A" savings book deposits. Funding was at fixed rates which often did not move for years.

Today the FFr75bn ($12.9bn) *a* year local authority market, in which Crédit Local accounted last year for FFr33.6bn and the Caisse des Depots for another FFr11.7bn, has a wider range of needs.



Mr Pierre Richard, chairman of Crédit Local, says: "Last year nearly 40 per cent of our lending was in variable and floating-rate loans, and we are also the leading French lender in Ecus."

With FFr26.6bn of borrowings on the domestic bond market last year, CAECL, up to September 30, and Crédit Local thereafter was the largest issuer after the state, although in many years Electricité de France would raise more bond funding.

Mr Rembert von Lowis, financial director, says: "We are obliged to be regular on the bond market, we cannot issue only at the best moments."

The need for regular borrowings prompted Crédit Local, along with Caisse de Refinancement Hypothecaire and Crédit Foncier, to follow the French Government's example in adopting a regular auction procedure.

The group expects to raise between FFr10bn and FFr11bn of its total FFr25bn domestic borrowings this year through auctions.

Mr von Lowis says: "An auction is sometimes slightly dearer than a syndicated issue. For a syndication, banks are obliged to bid and to anticipate a fall in rates. But we don't have the choice."

He adds that Crédit Local's average net borrowing cost in the first quarter of this year was 9.36 per cent, after using swaps and other interest rate management techniques, compared with an average for the TME government bond index of 9.41 per cent.

Although Crédit Local no longer has a monopoly over local authority financing and must compete against commercial banks, Mr Richard *is confident* that its specialist knowledge of the municipalities' needs and its ability to help them manage their debt portfolios will continue to give it an edge.

He expects its total assets to double from FFr153bn at the end of 1987 to FFr300bn by the end of the century.

Large construction projects like the FFr3bn Toulouse metro or the new light railway to Orly airport outside Paris offer a big market for the group.

"We have the fastest growth rate of any financial establishment in France," says Mr Richard.

BNP to set up Tokyo offshoot

By Our Paris Staff

BANQUE NATIONALE de Paris, the leading French commercial bank, is to open a securities house in Tokyo on Monday after *receiving a licence from the Japa*nese authorities.

BNP's Japanese subsidiary will handle broking orders from the group's international network and underwrite Japanese securities issues, as well as working on the creation of made-to-measure investment products for Japanese institutions.

The granting of BNP's licence in March followed negotiations between the French and Japanese Governments over reciprocal access to financial markets in the two countries.

Last year, the French Treasury held up the granting of banking licences to Dai-ichi Kangyo Bank and Mitsubishi Bank of Japan in order to accelerate the granting of a securities licence to Crédit Lyonnais and to Banque Indosuez.

The latter required Japanese approval after taking over W.I. Carr, the UK stockbroker, which already had a securities licence.

Since Japanese regulations prevent commercial banks from owning more than half of a securities house, two French industrial groups – St Gobain, the glass and packaging producer, and Sanofi, the chemicals company – will each take 25 per cent of BNP's new Tokyo subsidiary.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on June 9

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94	94½	+0⅛	+0⅞	9.39
All Nippon Air 9⅜ 97	100	†94	94½	-0⅛	-0⅛	10.37
American Brands 8⅞ 92	150	98⅛	98½	+0⅛	+0½	9.39
A/S Eksportfinans 7⅛ 93	100	†95	95¼	+0⅛	+1½	8.76
A/S Eksportfinans 7⅛ 92	150	95	95½	+0⅛	+0½	8.81
Barc. Bk. Fin. 10¼ 89	200	†102¼	103¼	+0¼	+0⅛	8.00
Belgium 9⅛ 92	400	†100¼	100¾	+0¼	+0⅛	8.96
British Telecom 7⅜ 96	250	89¼	89⅞	+0⅛	+0¼	9.47
Cal. Natl. Telecom 8½ 93	160	†99¾	100¼	+1	+1½	8.48
Canada 9 96	1000	99¼	99¾	+0½	+1¼	9.08
Canadian Pac 10¼ 93	100	†104¼	105¼	0	-0½	9.51
C.C.C.E 7¼ 91	113	†95¼	95¾	+0¼	+0¼	8.69
C.N.C.A 7¼ 91	150	95¼	95½	+0⅛	+0⅛	8.85
Coca-Cola Ent. 8¾ 98	100	†99½	100	+0⅛	+0⅛	8.37
Credit Lyonnais 9 91	200	†100½	101	0	-0¼	8.65
Credit National 8¼ 93	200	96¼	97⅛	+0⅛	+0⅛	9.03
Credit National 7⅜ 92	100	94⅞	95⅜	+0⅛	+0⅛	8.91
Credit National 7¼ 91	150	95½	96	+0⅛	+0⅛	8.68
Denmark 7⅜ 92	500	†94	94½	+0⅛	+0⅛	8.98
E.E.C 7 91	100	94¼	95¼	+0⅛	+0⅛	8.70
E.E.C. 7¼ 93	250	93½	94	+0⅛	+0⅛	8.91
E.E.C 8⅜ 96	200	†93½	94	+0⅛	+2	9.39
E.I.B. 7⅜ 93	100	93⅝	94¼	+0⅛	+0⅛	9.06
E.I.B. 9⅜ 97	150	†99⅝	100	+0⅛	+0⅛	9.42
Elec. De France 9 98	200	95⅞	96⅜	+0⅛	-1⅛	9.62
Finland 7⅞ 97	200	89⅝	90⅛	+0⅛	+0⅛	9.64
Finland 7⅜ 93	200	93½	94⅛	+0⅛	+0⅛	9.03
Fin. Exp. Cd. 8½ 92	200	–	–	–	–	–
Ford Motor Credit 8 91	250	†97⅞	98⅛	+0⅛	+0⅛	8.82
Gen Elec Credit 10¼ 90	200	101¼	101¾	+0⅛	+0⅛	10.03
G.M.A.C. 8 89	250	†99⅞	100¼	+0⅛	+0⅛	8.07
G.M.A.C. 8¼ 89	200	†99⅞	100⅜	+0⅛	+0⅛	8.10
Hoesch 8⅜ 97	100	†93	93½	+0⅛	-1⅛	9.40
Italy 9 90	1000	101⅛	101⅝	+0⅛	+0⅛	8.16
L.T.C.B of Japan 8 92	100	98½	99⅛	+0⅛	+0⅛	8.45
L.T.C.B. of Japan 8 97	200	89⅝	89⅞	+0⅛	+1	9.85
Mercedes-Benz Cd. 8½ 95	100	95⅞	96⅜	+0⅛	+0⅛	9.29
Metropolis Tokyo 9½ 93	200	101⅜	102⅛	+0⅛	+0⅛	8.96
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS: [illegible]

Average price change... On day +0 on week +0

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

PROFIT SHARING REINSTATED WITH MORE-THAN-DOUBLED PAYOUT

Higher call volume connects BT to £2.29bn

BY HUGO DIXON

British Telecom increased pre-tax profits by 11 per cent to £2.29bn in the year to end-March reflecting higher call volume, it announced yesterday.

Mr Bryan Gould, Labour's Trade and Industry spokesman, criticised BT for making easy profits. "The good news for the City contrasts starkly with the bad experience of the consumer," he said in a statement.

BT, however, claimed that shareholders, consumers and employees had all benefited from its performance.

It stressed that it had invested £2.4bn during the year, up from £2.2bn, and expected to increase this by a further 10 per cent this year.

BT also announced that it had reinstated its profit-sharing scheme, which it suspended last year as a result of the engineers' strike. The distribution of £38m compares with £18m distributed during 1985-86 and prompts speculation that BT is giving its staff a double bonus to compensate for the missed year.

Mr Iain Vallance, BT's chairman, said the £38m, which was awarded at the company's discretion, took into account "a lot of effort from a lot of staff." The amount will be shared equally between the 215,000 staff rather than related in income as previously.

The profits, which were in line with City expectations, were driven by an 6 per cent increase in the volume of inland calls and a 14 per cent increase in international.

There was 3.4 per cent growth in the number of residential lines and 8.1 per cent growth in the number of business lines.

The international division's profits advanced 29 per cent to £613m. There was only 4 per cent growth, however, in profits from the domestic network to £1.99bn, reflecting the costs of the strike, the hurricane and a campaign to improve customer service.

Mr Vallance would not be drawn on what the campaign had cost. However, staff numbers had grown by 1,500 and staff costs were 24 per cent up in the final quarter at £920m.

Mr Graeme Odgers, BT's managing director, said he expected staff numbers to stabilise at present levels this year before falling slightly thereafter.

He also expected stronger profits growth from the domestic network, but less growth from international business as competition from Mercury Communications increased.

Cellnet, BT's 60 per cent owned mobile phone subsidiary, moved into profit last year and more growth is expected this year. However, Mitel, its Canadian manufacturing subsidiary, remained only at a break-even level and Mr Odgers was not hopeful of a significantly stronger performance this year.

Post-tax profits were £1.46bn (£1.31bn) and earnings per share 23.6p (20.9p).

A final dividend of 5.75p is recommended, making a total of 9.5p (8.45p).

See Lex

KIO not to increase BP stake

By Steven Butler

THE Kuwait Investment Office has said it would not increase its 22 per cent stake in British Petroleum while the Monopolies and Mergers Commission conducts its inquiry into the KIO's acquisition of the stake.

The pledge, which is considered normal during such investigations, was made in undertakings given to the Trade Secretary. The KIO has also pledged not to purchase any assets of BP except in the "normal course of business," requisition an extraordinary general meeting of BP, or seek representation on the BP board.

The MMC investigation, which began on May 3, was to last for four months and the Commission is still gathering evidence. Market speculation has centred on whether the KIO might be required to reduce its stake in BP to 10 or 20 per cent.

Whitecroft/Eleco

Whitecroft, the industrial holding company, has sold its entire 11.4 per cent stake in Eleco Holdings, the construction and building products group, for which it made an unsuccessful £25m bid two years ago.

The news prompted speculation that a new bidder could arrive on the scene and Eleco's shares rose 29p to 181p yesterday.

BAA takes off with £166m in first results

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

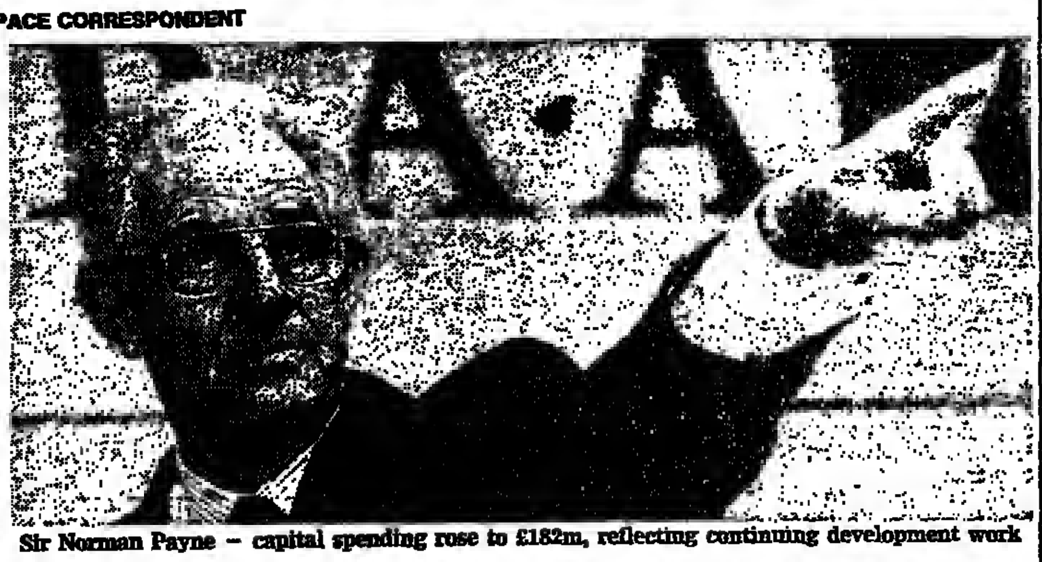
BAA, formerly the British Airports Authority, achieved pre-tax profits of £166m in the year to end-March 1988, the first full year since privatisation. This was a rise of £42m or 34 per cent over the previous year's £124m.

Sir Norman Payne, chairman, said yesterday that revenue rose from £438m to £523m, with passenger traffic at BAA's seven airports (Heathrow, Gatwick, Stansted, Glasgow, Aberdeen, Edinburgh and Prestwick) rising by 15 per cent to 63.7m. Cargo traffic rose from 758,000 to 845,000 tonnes.

Earnings per share rose from a notional 16p to 21p, and a final dividend of 4.25p per share is recommended, making 7.25p for the year.

Sir Norman said that during the year, shareholders' funds had risen from £694m to £898m "mainly because we have revalued certain of our assets around the airports which we decided should be treated as property assets held for investment".

Sir Norman also said that capital spending had increased from £153m to £182m, reflecting the continuing work on developing Stansted in Essex as the third major airport for London, the refurbishment of Terminal Three at Heathrow, and completion of the first phase of Gatwick's new North Terminal.



Sir Norman Payne – capital spending rose to £182m, reflecting continuing development work

The strength of the UK and world economies was the dominant factor in boosting BAA's results, but Sir Norman expected traffic growth to return "to more normal levels" this year.

Commenting on the future, he said BAA was now preparing its own independent study of future requirements for airport terminals, runways and airspace in the UK, and especially the London and south-east region.

This would be ready around the end of this year or early next, and it would be used to help determine where and when further major projects would be undertaken.

In the meantime, BAA's "firm policy" was to expand, especially into new areas such as direct retailing, building hotels, developing its properties and expanding its international consultancy services.

One problem for the future might occur if the European Commission decided to abolish intra-Community duty-free sales, which provided about 10 per cent of BAA's total revenues (about £52m).

In such a situation, Sir Norman said BAA would recoup the lost revenues with higher charges to the airlines, possibly through a 15 to 20 per cent increase in landing fees.

See Lex

Lynton Property rises £637,000 to finish at £5.89m

Lynton Property & Reversionary, property investor and developer, lifted pre-tax profits by £637,000 to £5.89m for the year to end-March 1988. Net asset value advanced from 311p to 440p. Gross rental income rose from £10.62m to £11.56m, while income from property investments was up from £8.66m to £9.65m.

The £25m programme started in 1987 for the development of properties in the investment portfolio was progressing well.

Earnings worked through at 9.9p (7.9p) and the total dividend is being raised to 6.85p (5.5p) by the proposed final of 5p (3.85p). In May, the boards of Lynton and BAA, the privatised authority for British airports, reached agreement for BAA to make a recommended cash offer of 455p per share for the balance of issued share capital of Lynton that it did not already own.

Cater Allen attacks Financial Services Act

By Andrew Hill

MR JAMES Barclay, chairman of Cater Allen Holdings, the discount house, yesterday criticised the Financial Services Act and the Banking Act.

His criticisms accompanied Cater's results for the year to April 30, accidentally released on Wednesday evening by the Stock Exchange.

The discount house proposed an increased final dividend of 17.13p, making 22.5p (20.15p) for the year, ahead of most expectations.

The shares rose 17p to close at 390p.

Cater also disclosed post-tax profits up 30 per cent to £7.15m, against £5.5m in 1986-87.

Mr Barclay said all parts of the business had suffered from the cost of complying with the Financial Services Act. He described the new rules as "hopelessly tardy."

The rules "interfere too much with the conduct of honest, efficient companies and still cannot possibly assure us that the villains will be caught," he said.

He welcomed the Bank of England's new regime of wholesale market supervision, but said he believed the Banking Act 1987 unnecessarily restricted Cater's ability to lend to creditworthy clients, such as large companies for whom it discounts bills.

The Act prevents banks lending more than 25 per cent of their capital and requires them to report any lendings representing more than 10 per cent.

The discount house's traditional gilt-edged and money market business reported profits of £4.75m (£4m); Lloyd's insurance interests, financial futures broking, and the Jersey-based offshore banking, trust and fund management operation together made £2.4m (£1.5m).

● comment

Although the City liked Cater Allen's results, optimism was perhaps slightly clouded by the possibility that rising interest rates could have held back the basic business since the year-end. The future of discount houses is also uncertain. Since Big Bang, outsiders have often viewed the discount market as an anachronism, but in October the Bank of England may allow further players to join the eight in the market. Cater's management says it would welcome such a move, which, if nothing else, would certainly give the sector some security. Cater also looks comparatively well-protected against increased competition by its diversified businesses. Meanwhile it probably represents the best investment of the four independent discount houses. Forecast profits are all but irrelevant given the effect a capricious market could have on revenue, but if the company pays full-year dividends of 24p in 1988-89, the shares offer a handsome prospective yield of some 8.4 per cent.

Titaghur share deals resumed

By Philip Coggan

Dealings resumed yesterday in the shares of Titaghur Jute Factory, textile trader and importer, after being suspended last month because of the company's failure to pay its annual listing charges.

But Titaghur has now paid its listing fees and has sorted out its problems with its registrars – a Dundee company called Cram, Worsley – which had been refusing to register share transfers because they had not been paid.

The markets did not exactly welcome back Titaghur with open arms – the shares fell 2p to 145p.

Beecham rises 15% thanks to no interest charges

BY FIONA THOMPSON

Beecham Group, drugs and consumer products company, yesterday reported profits ahead by 15 per cent to £406.5m for the year to March 31 1988. However, the bulk of the advance from £352.3m was due to a £41.5m turnround in the interest charge – from a £38.5m deficit last time to £3m receivable following the disposal of consumer goods businesses.

Group sales declined 10 per cent from £2.77bn to £2.48bn, although sales of continuing businesses increased 7 per cent to £2.38bn. Currency translations shaved £105m off turnover and £24m off pre-tax profits.

Beecham shares fell 6p last night to close at 478p.

"Our businesses are inherently strong, even though reported results were materially affected by currency, particularly the US dollar," said Mr Robert Bauman, group chairman. "We have improved market shares, attained higher margins and generated substantial cash."

Earnings per share rose 16 per cent from 27.23p to 31.69p, and the recommended final dividend of 8.7p makes a total for the year of 14.3p (13p).

Beecham this week filed an application with the Food and Drug Administration to market its new heart drug, Eminase, in the US, said Mr Bauman. Earlier this month the company enlisted Upjohn, the American drugs group, to help it market the drug there. Eminase is a blood clot dissolving agent for heart attack victims. Sales in West Germany "have not been as fast as we would have liked," said Mr Bauman, but "the US is the big one." It will take 12 to 18 months to go through the FDA, so the drug is not expected to make a major impact until the 1990s. Pharmaceutical products, which with prescription medicines and over-the-counter medicines account for 65 per cent of turnover, raised operating profits by 7 per cent to £339.7m (£316.7m). Profits of prescription medicines, driven by higher sales of antibiotics Augmentin and Timentin, increased by 11 per cent to £279.3m. Over-the-counter medicines saw profits slip 16 per cent to £60.4m due to the weaker dollar and increased marketing expenditure.

The consumer products division, which includes brands such as Brylcreem, Macleans toothpaste, and Yardley through to Marmite, Horlicks, Lucozade, Bovril, Ribena and Ambrosia Creamed Rice, saw profits rise 6 per cent from £168.1m to £178.7m.

A worldwide property revaluation resulted in a £127m surplus. Net borrowings last time of £54.8m were replaced by net funds of £221.8m. Tax took £163.4m (£144.1m).

See Lex

Porter Chadburn merger values LDH at £9.2m

BY DAVID WALLER

Porter Chadburn, industrial conglomerate, is to merge with LDH, upholstery fabric distributor. The deal is the most significant step in Porter's reorientation under the guidance of Mr Raymond Dinkin, appointed chairman last summer.

Mr Dinkin, chief executive designate of the new grouping, said yesterday that the move, which values LDH at £9.2m, was consistent with Porter's planned expansion in the specialist distribution area.

It follows the £6.6m purchase in November of Tasco, a distributor of products in sports and leisure markets, and the £4m purchase of two importers of fishing tackle in April this year.

LDH's geographical spread is to be strengthened with the £1.38m acquisition of Snow Hill Upholsterers, announced yesterday. Snow Hill is based in Birmingham, whereas LDH's existing business is centred on the north of England.

LDH made pre-tax profits of £1.2m in its last financial year. Porter made £1.7m in the year to April, compared to £158,000 in the first half. Combined turnover approached the £60m level.

The merger was widely expected after shares in both companies were suspended on Monday. Back from suspension, Porter's shares rose from 76p to 82p whilst LDH rose from 111p to 122p, to match the value of the offer, which takes the form of 3 new Porter shares for every 2 shares in LDH.

Globe, Ensign and L&E emerge as backers for Retail Corporation

Globe Investment Trust, Ensign Trust and London and Edinburgh Trust, property group, have emerged as the major backers of the Retail Corporation, a new garden centre company being set up by Mr Malcolm Parkinson, a former Woolworth director, and Mr John Kennedy, a former finance director at B&Q.

The Retail Corporation will trade under the name of its wholly-owned subsidiary The Garden Store.

Its intention was to raise £10m in equity capital and more than 40 per cent will come from these three companies.

Other backers include 3i and clients of Ifincorp Earl, the mini-merchant bank which has been handling the private placing.

The Retail Corporation aims to have at least three stores running by the end of the first year and is targeting for 50 within the next five years.

The aim is to situate the superstores on out-of-town sites of between three and five acres.

UK COMPANY NEWS

Lonrho manages 6% rise to £80m

BY MARTIN DICKSON

Lonrho, mining, trading and industrial group led by Mr Tiny Rowland, yesterday reported interim pre-tax profits of £80.4m, up 6 per cent on the £76.1m achieved in the same period of last year.

The figures were around the level of many analysts' expectations, but the shares closed 4p lower at 239p. Some analysts felt the company was being cautious in merely stating that it expected "trading for the full year to certainly exceed that of last."

The company announced an unchanged second interim dividend of 4p, but it pointed out that the dividend had, in effect, been increased by 17 per cent since it had been declared on an increased share capital following a 1 for 6 capitalisation issue. Earnings per share also rose 17 per cent from 9.2p to 10.8p.

As usual at the interim stage, the group gave few details of the profit and loss account or divisional trading performance. Turnover rose to £1.43bn (£1.37bn) in the six months to March 31, while the tax charge was lower at £30.2m (£35.2m), leaving attributable profits of £47.4m (£36.1m). The pre-tax figure was also helped by a lower interest charge, since the company has been reducing its borrowings over the past year, though a Lonrho spokesman declined to spell out the figure.

A statement said the performance of Lonrho's UK companies had been strong, with particularly good contributions from its Metropole hotels business, its Volkswagen motor distributorship and its various printing and publishing activities. At the interim stage last year the publishing side was depressed by the loss-making Today newspaper, which has since been sold.

In the Americas, its Princess Hotels group reported an increase in sterling profits. In Africa, the company said the substantial expansion of its gold and platinum mining activities continued, with current annual output in excess of 800,000 ounces of gold and platinum group metals. The mining programme for the future was also on target to achieve well in excess of 1m ounces production of metals by 1990.

Lonrho also revealed that it has set up a partnership with Krupp Handel, the West German trading house, but declined to give details. Previous reports had suggested that the British group might have taken a 50 per cent stake in Krupp.

● **comment**

The minimal information given by Lonrho at the interim stage always makes interpretation of its figures difficult, but the basic message yesterday was of a strong performance by its core UK operations and the Princess hotels, with a rather mixed outturn in that other key profit area, mining and oil. Western Platinum, in particular, was held back by both precious metal price levels and by technical refinery shutdowns. But the second half, which is usually more important for the group, could prove a little brighter, despite the cautious tone of yesterday's statement. The UK economy is still bouyant and both platinum prices and production should be better. Pre-tax profits forecasts range between £205m and £215m, putting the shares on a prospective p/e of 9 to 10, roughly in line with Inchcape. With the shares standing well below most estimates of net asset value, and yielding a fat 7 per cent, they seem reasonable value, though Lonrho's unpredictability and African exposure (albeit reduced) will still be restraining factors.

Boardroom split at Memcom

Two directors of Memcom International, manufacturer of microfiche filing systems, have resigned at the request of the other members of the board.

A statement from the company alleged that Mr Kanwal Dhiman and Mr Melvin Perera had resigned following the default of Mr Dhiman in meeting his contractual arrangements for the company's £2.3m rights issue announced in May.

"The company will now proceed with the rights issue without Mr Dhiman," the company said. "Arrangements for the underwriting are in the process of finalisation prior to the circulation to shareholders."

Neither Mr Dhiman nor Mr Perera were available for comment yesterday. Memcom's shares fell 1p to 23p.

Berkertex attacks Ellis for allowing brands to 'languish'

BY ALICE RAWSTHORN

Berkertex has attacked Ellis & Goldstein, the fellow womenswear group for which it is mounting a £28m bid, for "failing to respond to the changing retail environment".

The Ellis board, which is advised by Kleinwort Benson, has repeated its rejection of the Berkertex offer. Mr Alan Philpott, Ellis chairman, described it as "a blatant attempt to buy Ellis & Goldstein on the cheap".

In its offer document, which has been sent to shareholders, Berkertex criticised Ellis for allowing Eastex and Dereta, its established womenswear brands, to "languish".

It also attacks the "costly failures" of EX and Jenni Barnes, two new brands launched by Ellis in recent years. EX has since been withdrawn while Jenni Barnes has been relaunched.

Berkertex, advised by SG Warburg, was formed by a management buy-out from Raybeck – once one of the leading lights of the retail sector – two years ago. It now embraces the Berkertex bridal and womenswear businesses, and Fifth Avenue, a fashion wholesale company.

It is offering 95p in cash for every Ellis share. The Ellis share price, which has risen on speculation since the bid, stood at 112p yesterday. Berkertex intends to finance its offer by raising capital from institutional investors.

Jantar rebuffs bid approach

BY CLARE PEARSON

DIRECTORS of Jantar, the investment concern formerly involved in mining, have rebuffed a bid approach worth £3.68m from Mr Stephen Parris, a private investor who has accumulated a 14.9 per cent stake.

Jantar's shares, which have risen sharply since Mr Parris took an initial 10.08 per cent stake last month, closed 25p higher at 105p yesterday, valuing the company at £5.15m.

On Wednesday, Mr Parris approached Jantar with a view to buying it at 75p per share.

He suggested taking control in conjunction with Mr Birol Nadir, the 24-year-old son of Mr Asil Nadir, chairman of Polly Peck International, the international trading company.

Mr John Duffield, a director, said yesterday: "I'm not saying there isn't a price for the company, but this is far too low."

Mr Duffield is also chairman of Jupiter Tarbutt, a financial management group. Its clients control 29.9 per cent of Jantar, consisting of 19 per cent held by members of the Tarbutt family, which founded Jantar 85 years ago, with the remainder held by discretionary clients.

A further 19.5 per cent of the shares are held by institutions whom Mr Duffield said he "knew to be friendly to the present management."

Mr Parris said: "In the light of the share price movement today I shall have to weigh up my options."

Mr Parris, 34, was a stockbroker with Douglas le Mare until a few weeks ago. Until last December he was a director of G.W. Joynson, a commodity broking organisation. He said Mr Nadir was a colleague at Joynson.

New name and generalist slant for TR Natural Res.

BY DAVID WALLER

TR Natural Resources, an £85m investment trust, died yesterday and was reborn as the Sphere Investment Trust.

Shareholders at an extraordinary general meeting sanctioned this and other proposals designed to reorientate the trust as a generalist fund rather than a specialist one.

In the event, the meeting passed without rumpus with only one shareholder voting against any of the proposals put forward by Platon, a Norwegian investment company which acquired just over 50 per cent of TRNR's shares as a result of a takeover bid last September.

A possible row had been defused earlier in the week after the board of TRNR dropped proposals to change the trust's articles of association. The proposals would have allowed the trust to concentrate its investments in only 15 investments, rather than the 25 that is now the case.

Mr Eivind Astrud, Platon's president, yesterday described the issue as relatively insignificant in the light of the major changes TRNR is set to undergo under the management of Marathon, a recently formed investment company.

However, he expressed the view that Sphere would be hampered in its investment policy if the change to its articles was not eventually made.

The proposal would have required the support of 75 per cent of TRNR's preference shareholders who were believed to be unhappy at the proposal.

Strauss resigns as broker to John Michael Design

BY PHILIP COGGAN

Strauss, Turnbull has resigned as broker to John Michael Design, USM-quoted design consultancy, which is currently negotiating a reverse takeover.

Mr David Lambert of JMD said that the decision was connected to the takeover plans. Strauss, Turnbull said that there was "no animosity" between the broker and the company.

Several earlier plans for the reconstruction of JMD have been abandoned.

Tinsley Robor for SE

Tinsley Robor, a packaging and printing company, is preparing to join the stock market via a placing next month.

Granville, the financial services group, will place shares to raise about £4m for the company.

This will give Tinsley a market capitalisation of about £14m.

Acal coming to USM

BY FIONA THOMPSON

Acal, which sells, markets and assembles products for electronic components and industrial controls, is joining the Unlisted Securities Market via a placing by J Henry Schroder Wagg.

At a placing price of 135p per share, the company is capitalised at £18.4m. Schroder Wagg is placing 2.2m shares, 16.2 per cent of the enlarged equity, to raise £3m. Existing shareholders are selling 900,000 shares to realise £1.2m and the 1.3m new shares being sold will raise £1.4m after expenses for the company.

The company was formed through a merger in February last year between the Auriema Group – the former main European operations of Auriema International Group (AIG) – and Centre Group, a private UK company.

Acal operates in the UK, Belgium, France, Germany, Italy, the Netherlands, Sweden and the US. The operating subsidiaries act within their respective countries as sole agents for leading foreign suppliers. Major customers include Bull, Ericsson, GEC, IBM, Olivetti, Philips, Racal and Siemens.

The end products manufactured with the components and sytems supplied by Acal include computers, telecom systems, refrigeration equipment, hospital diagnostic equipment and control panels for aircraft.

Pre-tax profits have grown from £683,000 in 1984 to £2.46m for the year to March 31 1988, putting the company on an historic p/e ratio of 10.7.

New Throgmorton

The net asset value of The New Throgmorton Trust (1983) was 242.7p per capital share at end-March, a decline of less than 2 per cent on the figure prevailing a year earlier.

Lord Ezra, chairman of this split-level investment trust, said the fall in nav compared with a decline of 10 per cent in the FT-A All Share index. "As long as the existing developments in the economy are not disrupted, I expect to be able to report gains next year for both classes of shareholders," he added.

A final dividend of 4p is proposed for the 12 months to March 31, making a total of 5.5p (4.6p) from earnings of 5.98p (4.87p).

IN BRIEF

ANGLO-EASTERN Plantations, holding company for Indonesian rubber, cocoa and palm oil plantations, said its two largest shareholders, Chillington Corporation and International Investment Trust of Jersey had raised their respective interests to 38.5 per cent and 38.33 per cent.

ARLEY HOLDINGS is acquiring System Software (UK), a computersoftware distributor. Initial consideration of £200,000 will be in cash and shares and an additional amount, up to £112,500, may be payable dependent on profits. System made pre-tax profits of £34,254 in the year to March 31 1988 and its net assets at that date were £56,733.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
BAA	fin	4.25	Aug 10	-	7.25	-
Boots	fin	5.7	-	5.2	8.8	8
British Telecom	fin	5.75	-	5.1	9.5	8.45
Brown (N)	fin	3.5†	-	2.63	5	3.75*
Camford Eng.	int	1	July 22	-	-	3
Carr's Milling	int	1.75	July 8	1.75	-	7.25
Cater Allen Hldg	fin	17.13	July 21	14.78	22.5	20.15
Electrocomp.	fin	3.1	-	2.6*	4.37	3.7*
James Finlay	fin	2.15	-	2.15	4.15	4.15
Hunter Saphir	fin	2.7	July 26	2.25	4.05	3.3
ITL Information	fin	1.6	-	0.01	2	0.01
Johnson & Firth	int	0.6	-	0.5	-	1.5
Learmonth §	fin	1.2	Aug 23	-	1.7	-
Leigh Interests	fin	3.82†	Sept 30	2.75	5.65	4.15
Lynton Property	fin	5	July 2	3.85	6.85	5.5
Lonrho	int	4	Oct 3	4	-	13*
M&G Second Dual	fin	7.63	-	6.45	15.58	13.55
New Throgmorton	fin	4	July 28	3.35	5.5	4.6
Phoenix Timber	fin	1.5†	-	1.5	2.5†	1.5
RCO Holdings	int	2	-	1.46	-	4.38
Sidlaw	int	2.75	Aug 5	2	-	5.5
600 Group	fin	3.44	Aug 1	3.44	5.78	5.78
Westland	int	1.25	July 29	1.25	-	3.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

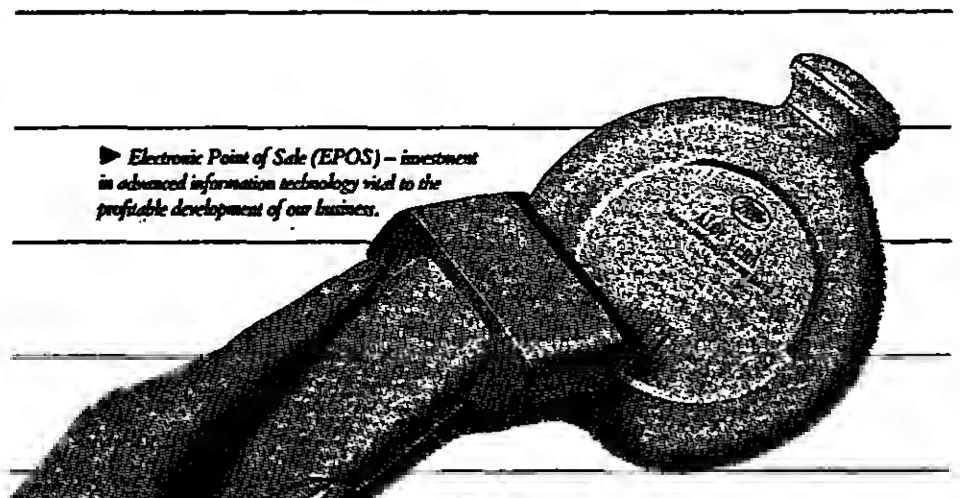
TODAY

Interims- Appleyard, First Union Gen. Inv. Trust.
Finals- Harmony Leisure, Hicking Pentecost, Hills Ergonom, Jarvis Porter, Property Partnerships, [illegible].

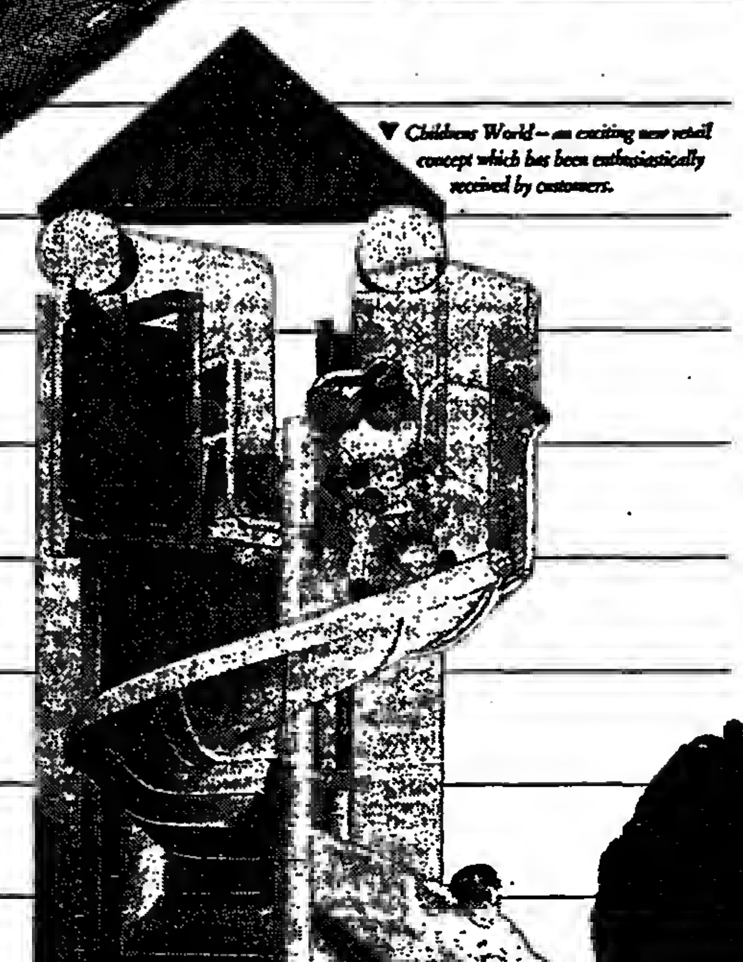
FUTURE DATES

Interims-	
Associated Newspapers	July 14
Lee (Arthur)	June 22
River & Merc. Amer Tst	June 14
Unit Group	June 20
Finals-	
Anglo United	June 20
BET	June 20
Capital Gearing Trust	June 13
[illegible]	[illegible]
[illegible] Gold Mining	[illegible]
Jones Stroud	July 14
[illegible]	July 5
[illegible] Mining	June 22
Rothmans International	June 23
Western Areas Gold Mining	June 22

THE BASIS FOR PROFITABLE GROWTH



▶ Electronic Point of Sale (EPOS) – investment in advanced information technology vital to the profitable development of our business.



▼ Childrens World – an exciting new retail concept which has been enthusiastically received by customers.

Preliminary Results

Group Profit and Loss Account for the year ended 31st March 1988.

	1988 £m	1987 £m	% increase
TURNOVER (excluding VAT)	2,697.1	2,351.7	+14.7
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	267.2	242.6	+10.0
Taxation	(78.1)	(77.4)	
Profit after taxation	189.1	165.4	+14.3
Minority interests	(.8)	(1.6)	
	188.3	163.8	+15.0
Extraordinary profit after taxation	1.4	-	
Profit attributable to shareholders	189.7	163.8	+15.8
Dividends	(81.2)	(73.6)	
Profit retained	108.5	90.2	
Earnings per share	20.4p	19.5p	+4.6

	1988 Turnover £m	1988 Profit £m	1987 Turnover £m	1987 Profit £m
Industrial Division	519.2	101.8	467.3	84.5
Overseas: quarter to March 1987	59.1	12.8	-	-
	578.3	114.6	467.3	84.5
Retail Division	2,205.2	126.7	2,005.0	123.4
Surplus on disposal of properties		21.3		21.0
		148.0		144.4
Overseas: quarter to March 1987	48.2	(2.6)	-	-
	2,253.4	145.4	2,005.0	144.4
Interdivisional	(134.6)		(120.6)	
Net interest and unallocated items		7.8		13.9
Overseas: quarter to March 1987		(.6)		-
	2,697.1	267.2	2,351.7	242.8

These results do not constitute "full accounts" within the meaning of the Companies Act 1985.

GROUP HIGHLIGHTS:

● Profit before tax 10.0% higher including 15 months overseas results; 6.1% year on year.

● Industrial division sales increased 11.1% and profits 20.5% up year on year.
- The new US organisation continues to perform strongly.
- Excellent performance from Crookes Healthcare which markets products nationally in the UK.
- Expansion of the clinical trial programme for the new cardiovascular product Manoplax continues.

● Retail division sales increased 10.0% and profits in the UK by 4.8%, after absorbing start up costs of Childrens World.
- Sales reflect excellent increases in many merchandise categories, offset by the downturn in the audio-visual market.
- 700 stores upgraded and refurbished by the end of the current financial year.
- Childrens World progress encouraging. Eight stores now open.
- EPOS introduced into 74 stores and adding more stores at 3 per week.

▼ Consumer product development – working on a wide range of consumer healthcare, cosmetics and toiletry products for the Boots group.

▲ Computer aided drafting – producing design drawings for store layouts and retail projects.

The full report and accounts will be posted to shareholders on 30th June 1988 and copies will be available from the Secretary of The Boots Company PLC, Nottingham NG2 3AA. The Annual General Meeting will be held at the Grosvenor House Hotel, Park Lane, London W1, at 11.00 a.m. on Thursday 28th July 1988.

Boots THE BOOTS COMPANY PLC

UK COMPANY NEWS

JFB reaches £3.85m

BY ANDREW HILL

Johnson & Firth Brown, Sheffield-based metals and engineering group, increased pre-tax profits by 44 per cent to £3.85m in the six months to March 31, against £2.67m in the equivalent period.

Turnover advanced to £50.4m (£42.4m), helped by a £6.8m contribution from Woodhouse & Rixson, the metal parts manufacturer bought for about £14.6m in September.

Mr Roy Shephard, chief executive, said: "JFB is moving away from exposure to the commodities part of the steel and aerospace industries and into speciality engineering – companies with decent niches where we are not exposed to all sorts of problems like currency and materials surcharges." Foundries and high integrity metals accounted for about 61 per cent of sales in the latest period. Mr Shephard said he expected to reduce the proportion of sales from metals to about 10 per cent within the next decade.

He added that about 50 per cent of the growth achieved over the next three or four years would be organic, 25 per cent product development and the rest through selective acquisitions, adding to the existing activities.

Earnings per share rose from 1.6p to 2p. An interim dividend of 0.6p (0.5p) was declared.

● comment

Last month's sale of its share of Sheffield Forgemasters – jointly owned with British Steel Corporation – will strengthen JFB's balance sheet when the proceeds come through in July. Borrowings will come down from 55 per cent to about 33 per cent at a stroke. However, the sale also removes one of the stock's more interesting features, a focus of endless City speculation. Attention will now shift to JFB's host of subsidiaries. Mr Shephard has shown his management mettle in the past and is apparently under no illusions as to the length of time it will take to turn JFB into a speciality engineering company, a necessary move as it is no longer possible to pass rising commodity prices on to customers. The results were in line with expectations and JFB shares rose 0.75p to close at 41.75p. On forecast full-year profits of £8m before tax they are on a prospective multiple of about 10, fairly rated.

N Brown rises 47% to £13.5m

BY ALICE RAWSTHORN

N. Brown Group, the mail order company controlled by the family of Mr David Alliance, chief executive of the Coats Viyella textiles empire, yesterday announced a 47 per cent increase in pre-tax profits to £13.5m for the 53 weeks to March 5. Sales rose 37 per cent to £100.5m.

Mr Jim Martin, managing director, said that every part of the group had perfomed well during the year including the recently acquired financial and property services companies.

Earnings per share rose to 15.8p (11.5p). A final dividend of 3.5p is proposed, making a total of 5p (3.75p) for the year.

The mail order business – which specialises in catalogues for elderly, outsize women – is still the dominant area of activity. It saw sales and profits rise by 29 per cent to £93.6m and £11m respectively.

Brown plans to test a new catalogue concept – directed towards more affluent women within its traditional target market – this autumn. If it is successful, the catalogue will be launched nationally in autumn next year.

Two years ago Brown diversified beyond its traditional base by buying Morfitt & Turnbull, a life insurance and pension broker.

It has since expanded into property services with the acquisition of Dunlop Heywood. These businesses contributed sales of £6.9m and profits of £2.5m during the year.

Electrocomponents in 15% advance

BY VANESSA HOULDER

Electrocomponents, the electrical distribution group, yesterday announced a 15.3 per cent increase in pre-tax profitsfrom £40.5m to £46.7m on turnover of £310.9m against £243.0m.

Mr Tony Chubb, chairman, said that the company was well positioned in its markets and trading conditions were generally favourable.

Misco, the computer supplies distributor, acquired for £11m in November, had achieved expectations, said Mr John Robinson, managing director. The UK and West German operations were trading profitably and the more recently-formed Italian operation was expected to do so in 1988. Overall, acquisitions covered its financing costs with a small surplus.

The breakdown of operating profits was as follows: distribution to industry £39.1m (£35.2m); franchised component distribution £1.2m (£1.9m); distribution to retail £4.5m (£1.9m); distribution to commerce £1.2m (£0.4m). Discontinued businesses had losses of £0.5m (£0.4m). Interest receivable was £1.2m (£1.5m).

The distribution to industry sector, which embraced RS components, broadened its product range during the year and achieved satisfactory growth in sales and profits.

UK companies in franchised distribution experienced some strengthening in demand. However results from West Germany, where demand was low throughout the year were disappointing, said Mr Robinson. Management changes coupled with some improvement in demand should bring a more satisfactory return he said.

The distribution to retail division performed well. The manufacture, design and distribution of decorative lighting products was now a significant part of the business, said Mr Robinson.

An extraordinary item of £0.7m was charged reflecting costs of transfer, closure or disposal of parts of Electroplan in the UK.

After spending about £20m on acquisitions during the year, and increasing the inventory at RS Components by £14m, net borrowings at the year end were £3m and, including the loan stock issued for recent acquisitions, gearing was 7.6 per cent.

Earnings per share increased from 12.75p to 14.7p. A final dividend of 3.1p per share was recommended, making a total of 4.37p (3.7p) per share.

● comment

These results offered no suprises and the share price barely wavered from 216p. Thus, with analysts forecasting profits of around £55m, the shares are on an above average multiple of 12. This high rating reflects the company's excellent record - in the past ten years it has chalked up a compound earnings per share growth rate of 22 per cent. It also suggests that shareholders are sanguine about the company's efforts to diversify away from its core electronic components market, which is now relatively mature. Any move into markets where the company lacks experience brings potential pitfalls although so far, its acquisitions in the lighting and computer supplies market have lived up to expectations.

Property helps 600 Group to 32% profit increase

BY CLARE PEARSON

SIR JEFFREY BENSON, chairman of the 600 Group, produced an up-beat statement on trading prospects yesterday as the machine tool manufacturer and distributor unveiled a 32 per cent increase in pre-tax profits from £5.03m to £6.63m in the year to the end of March.

The improvement included a £2.24m property profit. But Mr Benson said that during the last few months the 600 Group had seen a steady increase in order intake in both home and overseas markets.

"The outlook for the coming year is more promising than at any time in the last three years," he said. "British industry appears, at last, to have gained sufficient confidence to begin to replace its ageing manufacturing facilities. Such a programme of investment will, if it continues, augur well for the group's machine tool companies in the United Kingdom."

But he warned there were two significant factors which would affect its prospects: first, the future level of capital investment by UK industry; and second, the sterling exchange rate, since the group exports well over half its UK output and derives a significant part of its income overseas.

Sir Jeffrey said the group would be seeking to make acquisitions to reduce its dependence on machine tools.

Manufacturing companies achieved operating profits of £1.36m (£1.77m) on turnover of £43.99m (£51.05m) in a context of low order intake during the first three quarters.

UK trading companies, which distribute a wide range of foreign-made tools, made £1.63m, against a loss of £382,000, on turnover of £38.56m (£31.05m). Overseas companies made £1.46m (£1.72m) on £41.28m (£40.75m) turnover.

The pre-tax result was struck after taking into account an exceptional net loss of £114,000 representing a change in the basis of contract accounting and reorganisation costs. There was a £462,000 extraordinary loss on the closure and sale of businesses and investments.

Earnings per share increased to 11.3p (7.5p). The final dividend is 3.436p, making 5.775p.

● comment

As Sir Jeffrey says, the 600 Group's future hinges on how many machine tools manufacturing industry thinks it needs. If today's hopeful level of demand continues, the company could achieve the economies of scale that would impact on margins, and reverse the declining trend in its underlying businesses. There is certainly plenty of scope in the UK, which works with tools about double the age of those in West Germany, and the 600 Group's supply companies are well-placed to provide virtually any type they may want. Meanwhile, the company would be reaping the benefits of the rationalisations of the last few years. Currency translations, of course, continue to cast a shadow over overseas operations. Analysts are looking for an improvement in pre-tax profits to about £7.8m this year, including £2.2m of property. The shares have long been overrated so a prospective p/e of 8.5 makes them a hold.

RCO advances 40%

RCO Holdings, cleaning contractor, lifted pre-tax profits by 40 per cent from £659,000 to £923,000 for the six months ended April 1.

After tax of £336,000 (£242,000), earnings came out at 5.57p (4.09p) per 10p share. The interim dividend is raised to 2p (1.46p).

ITL static at £2.5m

Profits were almost static at ITL Information Technology in the year to April 3 1988. The taxable figure of £2.52m compared with £2.57m.

Product development expenses rose 16 per cent to £4.26m. A final dividend of 1.6p makes 2p (0.01p).

LONRHO

World-wide turnover of continental European companies exceeds DM 8,600,000,000

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Chilehaus BII · Postfach 10 39 40
2000 Hamburg 1

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Freiheit 1 · Postfach 10 21 62 · 4300 Essen 1

CONTRACTORS' PLANT
Bautechnik · Frohnhauser Strasse 75
Postfach 10 19 45 · 4300 Essen 1

RAILWAY EQUIPMENT
Gleistechnik · Altendorfer Strasse 103
Postfach 10 22 53 · 4300 Essen 1

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4300 Essen 1

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TRAVEL AGENCY
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Logenstrasse 20-22 · 4300 Essen 1

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4100 Duisburg 12

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Château Smith Haut Lafitte
Martillac
33650 La Brede
France

Château de La Tour
Salleboeuf
33370 Tresses
France

Château La Garde
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33650 La Brede
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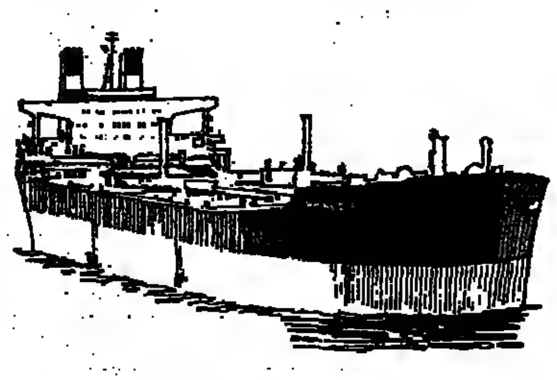

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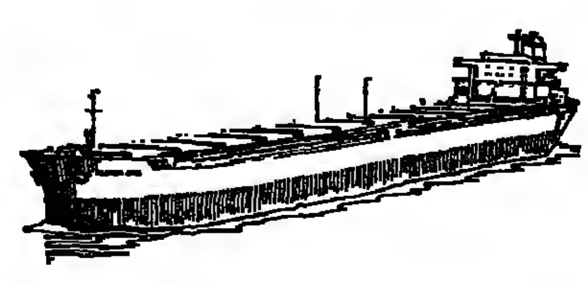

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FT LAW REPORTS

FILMS ROVER INTERNATIONAL LTD AND OTHERS v CANNON FILM SALES LTD; CANNON FILM SALES LTD v PROPER FILM LTD AND OTHERS

Court of Appeal (Lord Justice Kerr, Lord Justice Dillon and Lord Justice Nicholls): May 25 1988

Joint venture advance to be repaid

ADVANCES PAID in instalments under a void joint venture agreement can be recovered on the ground of total failure of consideration if, though the payer received some incidental benefit, it was not the benefit for which he bargained. And where the payees have successfully relied on the contract's invalidity when resisting a claim for its continuance, they cannot then seek to impose a ceiling on any *quantum meruit* due to the payer, to reflect his alleged breach of the non-existent contract.

The Court of Appeal so held wheo allowing an appeal by Films Rover International Ltd and others from Mr Justice Harman's decision to reject their claim for the return of advance royalties paid to Cannon Film Sales Ltd (formerly Thorn EMI Film Distributors Ltd), and for a *quantum meruit* to cover costs incurred under a purported contract with Thorn.

An appeal by Proper Film Ltd from the judge's decision on a counter-claim, that it was liable to pay Cannon $900,000 under a different contract, was also allowed, on the ground that the money claimed was an instalment payable in advance of any consideration, and performance was not yet due.

LORD JUSTICE KERR said that during 1985 a Mr Luigi de Rossi, his brother, and his assistant Mrs Karlin, held discussions with Thorn about the dubbing and distribution in Italy of 17 films in which Thorn had the necessary rights. The brothers and Mrs Karlin were connected with Monitor, an Italian film distributor.

Under the joint venture Thorn would supply master prints of the films, which would remain its property, and Monitor would arrange for dubbing, artwork and distribution to Italian cinemas.

The gross receipts from release of the films were to be split. Substantial advances were to be prepaid to Thorn by instalments on account of its ultimate share of the gross receipts.

Since that would have involved complications with Italian monetary or fiscal regulations it was envisaged that a non-Italian company would be interposed as a "front" for Monitor. That was to be Rover, incorporated in the Channel Islands.

An agreement was concluded between Thorn and Rover, in the knowledge that performance of the distributor's obligations would in practice fall on Monitor. The document constituting tbe purported agreement was dated December 5 1985.

Its terms provided considerable security and possibly a substantial profit for Rover. It was expected that Rover would recoup the distributioo expeoses and advance in full, and be left with a 30 to 35 per cent share of the gross receipts. Recovery of its advance was guaranteed.

But clauses 16 and 17 entitled Thorn to terminate the agreement and to resume possession of all prints and materials supplied, on the occurrence of a number of relatively minor breaches on Rover's part.

On January 14 1986 the first advance of $62,500 was paid to Thorn, and the process of requisitioning prints and dubbing them got under way. Everyone was oblivious of the fact that Rover had not yet been incorporated. That bappened on February 6, and passed unnoticed. Matters proceeded normally until about May 1, when Cannon took over Thorn and management of the agreement.

By the end of June it had become clear that Cannon was determined to use any means to bring about re-negotiation or terminatioo of the agreement. It made many unfounded allegations against Rover. A good deal of the correspondence could only be described as chicanery.

When Rover stood its ground Cannon treated the agreement as wrongfully repudiated. On July 11 Rover issued a writ claiming a declaration that the agreement remained in force and an injunctioo to restrain Cannon from breaking it.

Mandatory injunctions to continue to perform the agreement pending trial were granted, and performance was resumed.

However, the parties fell out about the date wheo the film, Highlander, should be released. Mrs Karlin favoured October, but Cannon insisted oo the pre-Christmas season. Cannon had the right of decision. That was disregarded by Mrs Karlin and Highlander was released on October 10.

On October 13 Cannon once again terminated the agreement, under clauses 16 and 17, without prejudice to its allegations that it was non-existent or had been previously terminated. It supplied no more prints or other materials under the agreement, and Rover was effectively no longer in a position to complain.

After Cannon had become aware of the date of Rover's incorporation, an escrow arrangement had been entered into as from July 30 1986, under which all instalments were to be paid into a joint solicitors' account pending the outcome of the trial. If Rover was successful, all instalments of advance paid from July 1986 were to be released to Cannon. If Cannon were successful, ell instalmeots would be released to Rover.

The trial began before Mr Justice Harman in February 1987. He held that the theatrical agreement had been purportedly concluded on behalf of Rover before Rover had been incorporated, and was void *ab initio*; and that if the agreement had come into existence, Cannon would have been entitled to treat it as terminated due to the breach over Highlander.

There was no appeal from those parts of the judgment.

Rover appealed on two subsidiary issues. The first concerned its claim for repayment of instalments of the advance. The second concerned its claim for *quantum meruit* for distribution expenses incurred, and work done.

Both claims had been rejected by Mr Justice Harman.

With regard to the advance, the appeal was concerned with five instalmeots of $62,500 totalling $312,500, paid between Rover's incorporation in February 1986 and the escrow agreement in July 1986.

Rover claimed repayment of the five instalmeots on the ground that they were paid for a consideration which had wholly failed, and/or were paid under mistake of fact.

Mr Justice Harman rejected the former contention, and did not expressly deal with the latter. He said the consideration had not failed, in that Rover had had several films, including Highlander, and distributed them in Italy "for payment no doubt of substantial sums."

The question was not whether there was consideration sufficient to support a contract. The test was whether the party claiming total failure of consideration had in fact received any part of the benefit bargained for.

Rover's possession of the films was merely incidental to performance of the contract, in the sense that it enabled Rover/Monitor to dub and release them. Delivery and possessioo were oot what Rover had bargained for.

The relevant bargain was the opportunity to earn a substantial share of gross receipts, with the certainty of at least breaking even by recouping the advance. Due to invalidity of the agreement Rover got nothing of what it had bargained for, and there was clearly a total failure of consideration.

Rover's claim for repayment of the five instalments of advance succeeded.

Rover was equally entitled to recover those instalments as having been paid under a mistake of fact. The facts spoke for themselves. It was obvious that the payments would not have been made unless Mr de Rossi and Mrs Karlin had believed there was a binding contract between Rover and Thorn.

Since the agreement was void *ab initio* and since the films remained the property of Thorn/Cannon, all moneys earned from their release, without any permissible deduction for distribution expenses or payment of the advance, became due to Cannon. Rover's claim for *quantum meruit* was irresistible, and should relate to services rendered by Rover and by Monitor, its agent.

Cannon contended that the *quantum meruit* should be subject to a "ceiling", which would take account of Rover's breach of contract and Cannon's consequent right.

That would not be correct. First, it was not simply a case of a contract which was void *ab initio* without either party's knowledge and then broken by Rover. It was a case where the invalidity was discovered by Cannon, no doubt with considerable satisfaction, and relied upon.

When Cannon first invoked the invalidity, there had been no breach on Rover's side, merely nnfouoded allegations of breaches and other unattractive conduct by Cannon. In those circumstances it did not appear unjust that Cannon could not have the best of both worlds – reliance on the invalidity of the contract *ab initio* as well as upon a subsequent breach by Rover.

Cannon must accept the primary basis on which it had succeeded, which was invalidity, and could not also rely on Rover's breach of the non-existent contract. It followed that an account was to be taken for the purpose of assessing an appropriate *quantum meruit*.

The appeal was allowed.

Lord Justice Dillon gave a concurring judgment. Lord Justice Nicholls agreed.

For Cannon: Alan Pardoe QC and Ralph Wynne-Griffiths (Jeffrey Green & Russell)

For Rover: Roderick Cordara (Barlow Lyde & Gilbert)

Rachel Davies
Barrister

UK COMPANY NEWS

Boots £267.2m meets estimates

BY CLARE PEARSON

PRE-TAX profits of Boots, retail chemist and pharmaceutical group, for the year to end-March came out in line with City expectations at £267.2m against £242.8m last time.

But taking out an extra quarter's contribution of £10.2m from overseas operations, where the year-end has been changed, and a £21.3m property profit, the profit figure worked out just 8.5 per cent higher at £236.2m on turnover up 14 per cent at £2.69bn (£2.35bn).

Currency translation losses within the industrial division, where there was a first full year's contribution from the former US Flint Laboratories businesses, took £6m off the profits figure.

Earnings per share rose 4.6 per cent to 20.4p.

The retail division achieved profits growth, excluding property sales, of only 2.7 per cent to £126.7m on turnover of £2.21bn (£2.01bn).

UK results were depressed by a poor Christmas period, especially in sales of audio-visual equipment, and by continuing start-up costs of the Children's World children's lifestyle shops.

Losses in overseas retailing companies increased. This reflected start-up costs in the French chain of beauty stores, which were "now approaching viability", and a poor performance by the Canadian drug store business. Boots announced it was selling the loss-making part in April.

The industrial division, over-the-counter health products and drugs, performed strongly with profits rising to £101.8m (£94.5m) on turnover of £519.2m (£467.3m), both on an annualised basis.

The US was the main contributor; in the UK sales growth of 11 per cent mainly came from Crookes Healthcare.

There is a proposed final dividend of 5.7p, making 8.8p for the year, a 10 per cent increase.

Robert Gunn — chairman of Boots.

● comment

Until Boots can transform its protestations of a more dynamic management style into a visible improvement in profits, the market is likely to answer them with a resounding "so what?", which was precisely what happened yesterday. The company's refusal to split its results up into their component parts (beyond distinguishing between the industrial and retail sides) may mask a range of good points, but what was clear was that the overall retailing margin had fallen, to 5.75 per cent, while it is a fair conjecture that industrial profits were lower, stripping out Flint. However, the retail side should put in a better performance this year, giventhe disposal of some of the Canadian outlets and improvements in management information systems being put in place. Manoplax should lift industrials over the longer-term, although it is still running the gauntlet of the clinical trial period. Profits, clean of about £30m from property, may be between £255 and £260m this year. The shares, on a prospective p/e of more than 10, are at least underpinned by the fairly generous dividend.

Hunter Saphir accelerates and further growth ahead

DESPITE DIFFICULTIES in its fruit importing business, Hunter Saphir achieved an 82 per cent increase in pre-tax profits from £2.75m to £5.01m in the year to February 29 1988.

The year had been one of "excellent progress" throughout the group, said Mr Nicholas Saphir, chairman. The strategic developments of both of its activities, food manufacturing and distribution, had been successful and he expected exciting growth over the next few years. In December the group moved from the USM to a full Stock Exchange listing.

The total dividend for the year is lifted from 3.3p to 4.05p with a proposed 2.7p (2.25p) final. Earnings worked through at 11.33p (9.5p) basic, and 10.7p (9.43p) fully diluted.

The chairman said it was too early to gauge the current year's results but the balance of earnings had shifted towards the second half of the year. The current problems in the fruit division would be overcome, he said, by the relocation of its operation alongside the warehousing and production facility. That would result in a reduction in overheads and improvement of margins, but would have a dampening effect on the first half of the year.

Turnover for 1987/88 showed an 80 per cent improvement to £163.67m (£91.02m). Operating profits more than doubled to £6.62m (£3m) but interest took more at £1.62m (£256,000).

Tax amounted to £1.8m (£982,000) and there was an extraordinary £280,000 (£359,000) debit relating mainly to closures and costs of the listing.

Recovery at Sidlaw

A SUSTAINED improvement in all services and a strong performance by the textiles operation enabled Sidlaw Group to report a sharp recovery in profits at the midway stage.

In the six months to April 1, pre-tax profits rose to £2.69m against a depressed £744,000 last time. Turnover expanded from £27.52m to £31.16m, while the lower interest charge, down to £397,000 (£547,000), reflected a healthy cash flow and lower rates, the directors said.

Earnings per share worked through at 7.68p (2.44p). The interim dividend is lifted to 2.75p (2p).

Carr's ahead midway

Carr's Milling Industries reported taxable profits of £990,000 for the six months to February 27, up from £904,000 last time, on sales just 2 per cent higher at £40.97m.

The directors said the animal feed manufacturing business and agricultural merchants made a good contribution to profits, as did the flour milling side which responded well following a poor harvest last summer. However, chicken processing and egg laying operations continued to be affected by low prices which would affect the outcome for the full year.

The interim dividend is maintained at 1.75p, from earnings of 10.8p (13.1p) per share.

Learmonth improves 31% to £1.91m

Learmonth & Burchett Management Systems, computer systems consultant, reported pre-tax profits of £1.91m for the year ended April 30 1988, a 31 per cent increase on last year's £1.46m.

Turnover was up 42 per cent to £10.76m from £7.56m and a final dividend of 1.2p has been recommended, making a total of 1.7p for its first year since its flotation on the USM in June 1987.

Earnings per 10p share rose to 10.3p from 7.6p last year, an increase of 35 per cent. Product development investment was stepped up to £1.1m and was been written off fully against profits. Revenues from UK consultancy increased by more than 40 per cent, mainly from major blue-chip clients in the commercial and financial sectors. The training division achieved a 30 per cent growth in revenues and US sales rose 27 per cent in dollar terms.

Mr Rainer Burchett, chairman, said he had great confidence in the company's ability to maintain growth.

Dauphin Intl

Dauphin International, an office seating company, has announced details of plans to join the main market. BZW is placing 5.5m shares, 25.6 per cent of the equity, at 105p each, giving the group a market capitalisation of £22.6m.

In 1987, the company made pre-tax profits of £2.89m. The shares are on a historic p/e of 11.

Delivery delays prompt Westland fall to £13m

BY VANESSA HOULDER

REDUCED SALES, delayed deliveries and the weakness of the dollar hit interim profits at Westland, the helicopter company that sparked a political crisis in 1986. The taxable figure fell to £13.1m in the six months to March 31 1988, against £24.8m in the comparable period before a £16m exceptional provision. Turnover fell from £195.9m to £185.8m.

The results disappointed most City analysts, although the share price was unchanged at 87p. Sir John Cuckney, chairman, said the group was at the beginning of its anticipated lean period before benefiting from good longer-term prospects. The company was not yet half-way towards its full recovery, which, he maintained would take at least five years from the completion of its major financial and organisational recontruction.

Sir John said there had been a number of very encouraging developments. These included the award of a definition contract to E.H Industries, half owned by Westland, for the new shipborne aircraft for the Canadian navy. The UK Ministry of Defence had placed a development contract for a new mark of Lynx, which should be followed by an order for sixteen helicopters.

Profits from the helicopter and customer support division, responsible for £124.4m (£137.8m) of sales, declined from £16.2m to £7.8m.

The main disappointment of the half year was a delay on deliveries of the major export orders for Sea King helicopters. The delay was largely responsible for a sharp rise in interest costs from £0.4m to £2.8m. Deliveries are expected to begin this year. The aerospace division swung into loss following a customer's rescheduling of a major order and pressure on margins due to the weakness of the dollar. A loss of £0.5m was made on turnover of £16.3m, compared with a profit of £1.9m on turnover of £20.9m. Sir John Treacher, deputy chairman, said he expected the division to make a profit in the full year.

The technologies division, which also suffered from the weakness of the dollar and squeezed margins, reported a fall in profits from £5.9m to £4.8m on turnover of £49.8m (£44.2m). A consolidation adjustment of £1.0m (£0.8m) was made.

Research, development and launch costs fell from £2.2m to £0.4m.

Earnings per share increased from 2.7p to 6.2p. The dividend was unchanged at 1.25p per share.

● comment

These disappointing results and the static dividend provoked, for most part, a mood of gloom about the company. Westland is now experiencing its long expected gap in orders, with at least two years before it will see a return on its new EH101 naval helicopter. And the non-helicopter interests, which a year ago seemed a promising area of diversification, singularly failed to perform this year. That said, the prospect of an order for 16 Lynx helicopters brightens up the picture and could mean a modest profit recovery comes sooner than expected. For this year, however, analysts expect profits of about £25m. That puts the shares on a multiple of 8, which leaves little to go for in the short term.

Acquisitive Leigh rises 67% to over £4m

Increased volumes throughout its operetional regions resulted in a 67 per cent increase in pre-tax profits to £4.12m for Leigh Interests, specialist waste collection and treatment company, for the year to March 31 1988.

Total turnover for the 12 months was just ahead at £42.39m (£42.25m), while turnover of its continuing activities rose by 24 per cent to £41.45m (£33.32m).

An increased final dividend of 3.32p (2.75p) is recommended for a total of 5.65p (4.15p). Earnings per 5p share improved from 8.4p to 12.8p.

Mr Bill Pybus, chairman, said performance had not been significantly affected by the group's recent acquisitions as most had been made towards the end of the financial year. The company spent £5.9m on acquisitions during the period.

Looking ahead, he said the group was well placed to continue its profitable progress and was on course for another very good year. Sales and profits for the first two months of the current year were ahead of last year.

He said Leigh intended to continue growth both organically and by acquisition and, in the medium-term through the implementation of legislation which strengthened tha mandate for safe waste disposal.

Interest charges fell to £1.03m (£1.53m). Tax took £1.53m (£888,000), and there was an extraordinary £188,000 (£63,000) credit.

Phoenix Timber profits rise sharply to £1.47m

Phoenix Timber Group, timber importer, merchant and processor, achieved a sharp rise in profits in the year to March 31 1988. The taxable figure rose from £641,000 to £1.47m on turnover up 37 per cent from £35.34m to £48.55m.

The proposed final dividend of 1.5p makes a total of 2.5p (1.5p) for the year.

Mr Peter Quinn, chairman, said that despite the sharp improvement margins were not satisfactory in all parts of the group. Further improvements were being sought through continued refinement of management and financial controls and increased emphasis on sales and marketing activities.

However, prospects for the building industry remained favourable and the group had a sound basis for a satisfactory result this year.

James Finlay profits fall to £3.12m

James Finlay, Glasgow based international trader and financier, with tea and oil interests, reported disappointing pre-tax profits at £3.12m for 1987 compared with £4.76m in 1986. Turnover was £20m lower at £156m.

A final dividend of 2.15p has been recommended making 4.15 in total for 1987, the same as for the last three years.

The plantation operations managed only £1.07m pre-tax profit compared with £7.03m, but energy related interests improved to a £370,000 profit against a £4.5m loss. Servicing loss on energy interests was £4.4m.

There was an exchange loss of £639,000 (£239,000 loss) and £1.69m loss attributed to the holding company (£1.42m profit). Tax paid £1.21m (£4.09m). Net earnings per share improved from 1.8p to 3.1p.

Camford rises 40%

Camford Engineering, metal pressings and forgings manufacturer, pushed pre-tax profits up 40 per cent in the six months ended March 31 1988 from £1.12m to £1.57m. Turnover was ahead 51 per cent from £28.72m to £43.51m.

Tax was £548,000 (£291,000) and earnings 5.37p (4.37p). The company has decided to restore dividends at the interim stage with the payment of 1p.

Colroy flotation

Colroy, residential housebuilder, has announced details of its flotation on the main market. Barclays de Zoete Wedd is placing 2.15m shares, 24.5 per cent of the enlarged equity, at 150p each, for a market capitalisation of £13m.

Pre-tax profits of not less than £2.35m for the year ending July 31 are forecasted. The shares will be on a prospective p/e of just under 7 at the placing price.

Greenwich Resources

Greenwich Resources, the mineral exploration and production group which owns the Gebeit gold mine in Sudan as well as other exploration interests in Egypt and Venezuela, lifted pre-tax profits by 32 per cent from £482,000 to £636,000 in the six months to end-March.

Operating income rose to £611,000 (£78,000), while administration expenses increased to £194,000 (£119,000). There was again no tax charge and earnings per share rose to 2.3p (2.1p).

Divided Opec faced with another uphill struggle

BY RICHARD JOHNS

SELDOM has the Organisation of Petroleum Exporting Countries been so divided. The ministerial conference starting in Vienna tomorrow will face an uphill struggle to make any more progress than the last one, five weeks ago, towards a coherent accord on a collective production level and individual quotas calculated to raise prices to the avowed common objective of around $18 per barrel set as long ago as December 1986.

The 13 oil ministers met somewhat reluctantly in late April because members – even Saudi Arabia, which was on record as opposing any gathering – could hardly ignore an unprecedented initiative by six other producers led by Mexico to cut their output by 5 per cent if Opec did the same.

Hisham Nazer and Gholamreza Aghazadeh, Oil Ministers of Saudi Arabia and Iran – The two camps are still wide apart

In the event they could not agree on any counter-proposal, let alone an offer which might encourage and develop future non-Opec collaboration – a key policy aim adopted two-and-a-half years ago. Indeed, the six non-members could only regard the insistence of the conservative Arab producers of the Gulf on barrel-for-barrel cuts as niggardly.

Since then there have been contacts with the six but they have received nothing that could be remotely be considered an answer to their offer, one Mexican official has pointed out.

Opec production of crude oil, meanwhile, has climbed from an average of about 17.5m barrels a day in the first quarter to about 18.6m b/d. The current pact is supposed to limit output of 12 of the members to 15.06m b/d. Iraq, which excluded itself from the pact, has a maximum potential of about 2.7m b/d. That implies an excess of about 1m b/d.

Predictably the last meeting was overshadowed by other disputes – notably over quota violations. These now will dominate this conference at the expense of collaboration with non-members. Logically, that makes sense because Opec cannot reasonably contemplate a deal with other producers when its own members are not adhering to its production pact.

For the time being, however, differences seem to be insuperable.

Essentially they are between the four conservative Arab producing states of the Gulf, in particular the two heavyweights, Saudi Arabia and Kuwait, and the rest. Resolving them will now be harder than ever as a result of the continuation of the Gulf conflict between Iran and Iraq.

The two camps are still wide apart in their estimates of demand for Opec crude for the second half of 1988. Experts of the minority of four have forecast a requirement – assuming neutral stock movements – of 18.9m b/d while the majority calculate 17.6m b/d, a very wide gap of 1.3m b/d.

Certainly any move by the minority to raise the ceiling and quotas will be fiercely opposed by the majority, which will argue that there is no scope for any such relaxation. Among them there are grave doubts whether Kuwait and, to a lesser extent, Saudi Arabia actually wanted a prices restored as as high as $18.

The whole debate will be complicated and bedevilled by the latest contentious issue to emerge within Opec. That is over the definition of what actually constitutes crude oil.

Venezuela's practice of classifying crude over 40.2 degrees API gravity as condensate – reservoir gas which liquefies at the surface – has incensed Sheikh Ali Khalifa al Sabah, the Kuwaiti Minister of Oil, who points out that the definition could add 2m b/d to overall Opec supply.

LME calls squeeze meeting

By Kenneth Gooding, Mining Correspondent

CLEARING MEMBERS of London Metal Exchange have been called to a special meeting today where it is widely believed some will be taken to task about squeezing already-tight metal supplies by withholding material from the market.

Strong demand and low stocks have made most of the metals traded on the LME vulnerable to squeezes which increase price volatility.

In February the LME called an extraordinary meeting to prevent a crisis in the nickel contract, suspended the first of the afternoon's trading sessions and urged member-companies to lend to the market, that is to sell cash metal and buy forward.

More recently it has given warnings that it was monitoring the copper and aluminium contracts very closely.

The recent squeeze on the aluminium market is known to have been causing the LME Board concern. Yesterday the authoritative Metal Bulletin said: "Major market-players are undoubtedly working the squeeze to their own advantage if not actually perpetrating it."

The magazine previously suggested LME representatives were told privately, after a recent meeting of the International Wrought Copper Council, that one company which was withholding material from the market was "treading a very thin line between technical squeeze and deliberate manipulation."

The IWCC represents producers and consumers of the LME's most heavily traded metal.

Mr Michael Brown, LME chief executive, said last night that today's meeting was private. He refused to say what it was about.

Court freezes Tin Council assets

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

DETAILS OF some assets of the International Tin Council have been revealed for the first time in the High Court, London. The council collapsed into insolvency in October 1985 with debts totalling about £900m.

The council's administration account contains about £114,000 liquid assets, £21,000 owed by debtors and about £20,000 of furniture, equipment and motor vehicles.

Also, some ITC member-states owe the account £305,808 in contributions for this financial year.

Details of the council's tin-trading buffer-stock account were not disclosed, except that the account is owed £240,000 under a loan made to the administration account in 1980 to acquire the council's London premises. No repayment instalments of the loan have been made since October 1985.

The figures were revealed when the council applied successfully for a temporary order. This was to stop Maclaine Watson, a London Metal Exchange trader and £6m ITC creditor, seeking to recover money from the administration account pending hearing in the next few weeks of the council's claim that account is immune.

Maclaine Watson is to seek the appointment of a receiver of the council's assets the "nature, value and location" of which the council had been ordered to disclose.

Yesterday Mr Justice Millett said the council, which had placed every possible obstacle in the way of Maclaine Watson recovering the £6m, could have a temporary stay of execution of Maclaine Watson's judgment, but only on the most stringent terms.

The administration account would be frozen because justice to Maclaine Watson demanded that not a penny in that account should, pending the outcome of the immunity application, be spent on wages or salaries, the council's ordinary business or legal expenses.

The judge said any part of the £305,808 due from members and received from today could be used by the council but only for ordinary business activities and legal expenses.

Also the council must transfer liquid assets from the administration account to the buffer-stock account – in respect of which no immunity claim is made – towards reducing the loan indebtedness.

If the council accepted those conditions it would not, until the immunity-claim outcome, have to give Maclaine Watson an affidavit detailing the bank accounts containing council assets, the judge said.

He said the council argued that if a stay were not granted it would be impossible for the council to use the administration account to pay day-to-day expenses or to fulfil its functions, such as collating and distributing to members statistical information about the production and consumption.

The judge said: "I am bound to say that this plea does not excite much sympathy. The ITC is hopelessly insolvent. It has made no attempt to pay any creditors.

"I see no reason whatever why it should carry on – still less why it should be assisted by the court to carry on – any business activity of any kind at the expense of its creditors."

He said that had the court had the power to do so it would long ago have wound the council up.

Shearson challenges exchange's 'ring-out' rule

BY OUR LAW COURTS CORRESPONDENT

MILLIONS OF pounds due to be paid to two Shearson Lehman companies under tin contracts ceased to be payable when, following the International Tin Council's collapse, London Metal Exchange passed a rule fixing the price at which outstanding contracts were to be settled, the High Court was told yesterday.

The two companies are Shearson Lehman Brothers, a trading company owned by American Express, and its subsidiary, Shearson Lehman Metals, a ring-dealing member of the LME.

They are challenging the validity of Rule M, which fixed a so-called ring-out price per tonne overriding existing contract prices.

Shearson is claiming damages for alleged breach of duty and/or negligence against The Metal Market and Exchange Company, which runs the LME, and individual members of the LME committee.

In the same action Shearson is claiming £74.5m from Maclaine Watson, a subsidiary of Drexel Burnham Lambert, and £19.6m from J.H. Rayner (Mincing Lane), part of the S. & W. Berisford group, under tin contracts.

Mr Peter Scott, QC, for Shearson, told Mr Justice Webster that if Rule M were valid the effect would be to rewrite contracts Shearson had entered.

Prices and delivery dates would be changed and Rayner, Maclaine Watson and others would be released from their contractual obligations.

Mr Scott said LME had had no power to make Rule M. Even if it had the power, the rule had been improperly passed because LME used an invalid procedure.

The rule had been passed after explicit warning from Shearson that it would not accept any such rule as valid and that LME lacked the necessary power.

Mr Scott said one of the more startling aspects of the case was that the LME committee chairman had told its members they should not be deterred from passing Rule M by the fact that Shearson had warned it would challenge the rule's legal validity.

The hearing continues today.

● Solicitors for Amalgamated Metal Trading, an LME trader and £5.3m creditor of the ITC, said yesterday no decision had yet been taken on whether to appeal to the Law Lords against the striking-out of its petition for the ITC's compulsory winding-up.

The petition was struck out by the High Court in January last year on the ground that the council did not fall within the court's winding-up jurisdiction, a decision upheld in April by the Court of Appeal.

UK set-aside plans delayed

BY BRIDGET BLOOM, AGRICULTURE CORRESPONDENT

THE British Government's plans to publish details of a scheme to remove land from agricultural production have been delayed.

Mr John MacGregor, Minister of Agriculture, had hoped to announce the so-called set-aside plans, part of a European Community-wide scheme, this week.

However, a last-minute hitch in Brussels and an apparent difficulty in finding parliamentary time for him to make the announcement mean the scheme may not be made public before the month's end.

He failed to obtain the immediate clearance for the British scheme which he had sought from the European Commission, Ministry of Agriculture officials said in London. The problems, apparently centred on the rate of compensation to be paid, were said not to be serious.

All member-states, following agreement at the EC summit last February, must produce set-aside plans by July 14, although farmers will be free to choose whether they participate.

Schemes will offer compensation of £70 to £420 a hectare provided farmers idle at least 20 per cent of arable land for a three-to-five-year period.

Set-aside is the latest device being adopted by the EC to curb expensive surpluses of cereal and other arable crops.

● The US Department of Agriculture denied Mr Richard Lyng, US Agriculture Secretary, was considering total abolition of the US wheat set-aside requirement for next year.

Last month the department said next year's wheat set-aside would be 10 per cent instead of the current 27.5 per cent. This move was criticised in the EC as likely to lead to higher US wheat output and consequent instability in world grain markets.

Departmental officials said Mr Lyng had legal authority until July 31 to review this decision. However, only if there were a drastic change would such action be considered, for example involving a serious extension of current drought conditions.

John Elliott looks at crop prospects following last year's damaging drought

India gambles on a good monsoon

AS ANNUAL monsoon rains begin to move across southern and central India, boosting hopes for this year's crops, the Government of India is preparing to order more grain imports to make up shortages caused by last year's drought.

India has already broken its proud record of self-sufficiency in food grains by ordering 1m tonnes of wheat in the open market from the US for delivery in the next five months, and 500,000 tonnes of rice from Thailand.

Now it is planning extra imports of about 2m tonnes of wheat and 25,000 tonnes of rice in the next few months.

However, with stocks severely depleted, these imports will still leave the country's grain cover about 3.5m tonnes to 4.5m tonnes below the level the Government regards as ideal.

About 30,000 tonnes of milk powder and another 30,000 tonnes of butter oil are also being imported by the National Dairy Development Board from the US and Europe. This is needed to supplement milk procurement, which has grown by only 3 per cent in the past year, because of the drought, compared with about 20 per cent annually in recent years.

No one can be sure, for another few weeks at least, about the course and strength of the crucial south-west monsoon as it moves northwards across the country. However, the Government's Department of Science and Technology has predicted that "overall rainfall is definitely going to be on the positive side of normal."

Yesterday a meteorological department official said the monsoon had progressed satisfactorily in the past week in the south and some parts of central India, as well as the north-east. It was expected to reach Bombay, the commercial capital, inside three days.

The Agriculture Ministry has forecast that the monsoon should produce food-grain harvests totalling 166m tonnes in the coming year compared with an expected 137m tonnes to 139m tonnes in the past year, against an initial target of 160m tonnes. In each of the previous three years of poor rainfall the total was between 145m tonnes and 152m tonnes.

The latest estimate for the past year is broadly in line with forecasts which were being made by the Ministries of Agriculture and Food in January, when it was clear there had been good rains for the second annual grain crop, called the rabi.

The total includes an expected 47m tonnes of wheat, although some of the rabi wheat is being held back by farmers who are hoping for higher prices, says the Ministry of Food.

In spite of the recovery of the grain total, the country's buffer stocks are significantly depleted. The key date in the annual cycle is July 1. On that date in 1985 and 1986 there were stocks of about 29m tonnes and last year 23.1m tonnes. The figure on this July 1 is expected to be about 14m tonnes, excluding imports, having fallen to a low point of 9.5m tonnes two months ago.

If imports of 3.5m tonnes to 4m tonnes are added, the country's total cover rises to 17m tonnes to 18m tonnes, compared with the 21.5m tonnes which the Government regards as ideal.

The Government, in keeping the total below 21.5m tonnes, is gambling on a good monsoon, which would enable the stocks to be rebuilt next year without any further spending of scarce foreign exchange on imports. If the monsoon is poor, however, heavy imports could be needed.

WORLD COMMODITIES PRICES

LONDON MARKETS

ALUMINIUM PRICES closed well up on the LME yesterday after touching record highs in earlier trading. Cash 99.7 per cent metal closed at $3,825 a tonne, compared with the recent peak of $3,960 recorded last Friday. The gains were made in active trade on short covering and fresh buying, which outweighed some long liquidation, dealers said. Routine profit-taking pulled prices down in the afternoon. Zinc prices also touched record dollar highs during the day as other big producers followed Cominco's decision to raise European producer prices to the $1,200 a tonne mark. Constructive charts and fundamentals further boosted sentiment, dealers said, and although the afternoon closing prices were little changed on Wednesday's, the upward trend resumed in kerb trading. Meanwhile cocoa prices continued downwards on currency factors and trade estimates of a record Ivory Coast crop of 540,000 tonnes.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$14.44-4.48u	+0.06
Brent Blend	$16.35-6.40u	-0.08
W.T.I.(1 pm est)	$17.30-7.33u	-0.04
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$194-196	-1
Gas Oil (Soviet)	$138-140	
Heavy Fuel Oil	$74-75	-1
Naphtha	$159-161	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$455.00	-3.25
Silver (per troy oz)♣	704c	-14
Platinum (per troy oz)	$574.75	-14.25
Palladium (per troy oz)	$126.0	-2.0
Aluminium (free market)	$3745	
Copper (US Producer)	115½-118c	
Lead (US Producer)	35.0c	
Nickel (free market)	710c	
Tin (European free market)	£3910	-20
Tin (Kuala Lumpur market)	18.21r	
Tin (New York)	331.5c	
Zinc (Euro. Prod. Price)	$1157.5	
Zinc (US Prime Western)	62.125c	
Cattle (live weight)†	116.10p	+2.03*
Sheep (dead weight)†	231.70p	+0.60*
Pigs (live weight)†	72.73p	-0.33*
London daily sugar (raw)	$253.4y	-6.6
London daily sugar (white)	$261.0y	-6.0
Tate and Lyle export price	£247.5	-3.0
Barley (English feed)	£102.0z	-0.5
Maize (US No. 3 yellow)	£136.5	
Wheat (US Dark Northern)	£107.5y	-1.0
Rubber (spot)♥	63.0p	-1.0
Rubber (July)♥	66.0p	-1.0
Rubber (Aug)♥	66.5p	-1.0
Rubber (KL RSS No 1 July)	361.5m	-1.5
Coconut oil (Philippines)§	$580x	
Palm Oil (Malaysian)§	$435s	
Copra (Philippines)§	$385	
Soyabeans (US)	£197	-3
Cotton "A" index	67.3c	-0.7
Woollops (64s Super)	650p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. u-July. x-Jul/Aug. s-Jul/Sep. z-Aug. y-Jun/Jul. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne	Close	Previous	High/Low	
Jly	909	917	913	901
Sep	929	936	933	922
Dec	960	967	964	952
Mar	985	992	989	976
May	1005	1012	1000	989
Jul	1023	1032	1023	1016
Sep	1042	1050	1045	1035

Turnover: 5716 (6186) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 8 : 1205.24 (1213.59) .10 day average for Jun 9 : 1235.39 (1241.70)

COFFEE £/tonne	Close	Previous	High/Low	
Jly	1134	1139	1140	1130
Sep	1142	1148	1150	1136
Nov	1150	1160	1155	1140
Jan	1161	1169	1163	1160
Mar	1174	1180	1174	1170
May	1184	1190	1165	

Turnover: 1886 (3036) lots of 5 tonnes
ICO indicator prices (US cents per pound) for June 9: Comp. daily 1979 121.99 (122.52); 15 day average 118.01 (117.70).

SUGAR $ per tonne				
Raw	Close	Previous	High/Low	
Aug	227.00	224.20	227.00	220.00
Oct	223.60	219.40	223.80	216.00
Dec	224.40	222.80	224.20	218.00
Mar	222.40	217.80	222.80	215.00
May	222.20	217.60		
Aug	122.60	216.00		
Oct	222.80	216.00		
White	Close	Previous	High/Low	
Aug	261.50	259.00	258.20	253.00
Oct	253.50	251.00	253.50	247.50
Dec	253.00	251.00	252.00	249.00
Mar	256.00	254.50	255.00	252.50
May	258.00	255.00	254.00	
Aug	259.50	257.00		
Oct	262.50	258.00		

Turnover: Raw 3453 (5956) lots of 50 tonnes; White 1769 (1459).
Paris- White (FFr per tonne): Aug 1469, Oct 1459, Dec 1460, Mar 1460, May 1460, Aug 1495

GAS OIL $/tonne	Close	Previous	High/Low	
Jul	139.50	140.25	140.00	138.25
Aug	139.00	141.00	140.75	138.75
Sep	140.75	142.25	141.50	140.25
Oct	142.00	143.00	142.50	141.50
Nov	143.25	143.50	143.50	142.75
Dec	144.25	144.75	143.50	
Jan	146.00	146.75		

Turnover: 3026 (6849) lots of 100 tonnes

GRAINS £/tonne				
Wheat	Close	Previous	High/Low	
Jly	106.65	107.00	107.60	106.65
Sep	104.30	104.95	104.80	104.30
Nov	106.40	107.00	106.75	106.40
Jan	108.60	109.10	108.95	108.60
Mar	110.60	111.20	110.85	110.60
May	112.90	113.45	113.25	112.90
Barley	Close	Previous	High/Low	
Sep	100.40	101.00	100.80	100.40
Nov	102.50	103.05	102.90	102.50
Jan	104.90	105.40	104.90	
Mar	107.25	107.75	107.25	
May	109.60	110.10	109.50	

Turnover: Wheat 130 (270) , Barley 18 (92) lots of 100 tonnes.

LONDON METAL EXCHANGE	Close	Previous	High/Low	AM Official	Kerb close	Open interest
(Prices supplied by Amalgamated Metal Trading)						
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 6,700 tonne
Cash	3815-35	3780-800		4055-65		
3 months	2820-40	2735-65		2835-65	2835-55	5,808 lots
Aluminium,99.5% purity (£ per tonne)						Ring turnover 15,700 tonne
Cash	2160-70	2062-7	2250/2240	2235-40		
3 months	1550-2	1494.5-5	1585/1500	1581-2	1552-3	54,072 lots
Copper, Grade A (£ per tonne)						Ring turnover 40,300 tonne
Cash	1535-40	1480-5	1515	1514-5		
3 months	1309-10	1278-9	1312/1295	1299-300	1302-2.5	70,808 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1300-20	1280-305		1325-50		
3 months	1258-75	1235-45		1255-65		47 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	704-6	700-2		685-8		
3 months	712-4	713-5		707-10	715-20	674 lots
Lead (£ per tonne)						Ring turnover 12,800 tonne
Cash	390-5	379-81	385	385-9		
3 months	357.5-8.5	362-4	364/354	356-7	363.5-4	11,003 lots
Nickel ($ per tonne)						Ring turnover 1,086 tonne
Cash	15850-6000	16350-450	16300	16200-300		
3 months	14400-40	14600-700	14800/400	14500-50	14500-50	6,080 lots
Zinc (£ per tonne)						Ring turnover 13,450 tonne
Cash	777-80	777-82	773/772	772-3		
3 months	715.5-6	705-7	720/708	710-2	719-20	20,727 lots

POTATOES £/tonne	Close	Previous	High/Low	
Nov	91.0	92.0	91.0	90.0
Feb	103.0	100.0		
Apr	135.5	138.8	139.0	135.0
May	145.0	149.0	145.5	144.8

Turnover: 343 (399) lots of 100 tonnes.

SOYABEAN MEAL £/tonne	Close	Previous	High/Low	
Aug	165.00	168.00	168.00	162.00
Oct	164.50	168.50	166.00	161.00
Dec	167.00	170.50	167.00	164.00

Turnover: 312 (361) lots of 100 tonnes.

FREIGHT FUTURES $10/index point	Close	Previous	High/Low	
Jly	1287.0	1287.0	1325.0	1257.0
Oct	1370.0	1394.0	1425.0	1368.0
Jan	1396.0	1380.0	1412.0	1380.5
Apr	1420.0	1437.5	1420.0	
BFI	1283.5	1287.0		

Turnover: 708 (657)

FRUIT AND VEGETABLES

Summer fruits are more plentiful this week, with peaches 12-32p each (15-32p), nectarines 15-35p (18-35p), homegrown strawberries 50-85p (65-£1.10), a half pound, imported 40-70p, reports FFVIB. Gallia melons are down to 55p-£1.10 (60p-£1.20) as are USA and Spanis plums 75p-£1.20 a lb (£1.00-1.25). New arrivals this week include Royal Gala 45-60p, Braeburn and Sturmer apples 50-60p, from New Zealand, but supplies of Cox's 50-60p and Chilean Granny Smiths 35-60p are becoming short. British asparagus is £1.35-2.00 a lb, and homegrown new potatoes 15-25p (18-28p). Courgettes are 45-75p (50-60p). English broad beans 50-75p and homegrown new crop carrots 30-35p. Round lettuce are 20-25p each (22-33p), and Icebergs are 58-95p (60p-£1.00). Hothouse tomatoes are 40-60p a lb (40-65p).

LONDON BULLION MARKET		
Gold (fine oz)	$ price	£ equivalent
Close	454¼-455¼	251-251½
Opening	454¼-455¼	251½-252
Morning fix	455	251.007
Afternoon fix	455.45	251.038
Day's high	455½-456	
Day's low	454-454½	
Coins	**$ price**	**£ equivalent**
US Eagle	468-473	258-261
Maple leaf	468-473	258-261
Britannia	468-473	258-261
Krugerrand	453½-456½	250-252
1/2 Krug	236-245	130¼-135
1/4 Krug	120-128	66½-70½
Angel	465½-470½	256¾-259¾
1/10 Angel	48-53	26½-29¼
New Sov.	107-108	59-59¾
Old Sov.	107-108½	59-60
Noble Plat	587.1-593.3	324-327.45

Silver fix	p/fine oz	US cts equiv
Spot	384.50	686.25
3 months	392.00	711.65
6 months	401.25	725.40
12 months	419.05	754.55

LONDON METAL EXCHANGE TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	July	Sept	July	Sept
2650	393	328	34	186
2850	248	234	88	288
3000	165	179	154	379
Aluminium (99.5%)	Calls		Puts	
2650	374	325	51	201
2850	240	234	115	305
3000	163		187	
Copper (Grade A)	Calls		Puts	
2100	508	302	7	87
2250	374	216	21	148
2400	256	148	58	228

US MARKETS

THE PRECIOUS METALS opened weak, with commission house and local selling, but indications of trade support and the failure to fall further saw short-covering emerge which touched off stops to reverse the day's trend as the markets closed higher, reports Drexel Burnham Lambert. Copper opened sharply higher on local and trade buying but closed with pared gains on profittaking by the trade. Energy futures continued weak, crude oil, especially came under pressure from trade and local selling as the market approached an area of long-term support. Coffee opened lower, but quickly rallied on concerns over weather in Brazil. The advance accelerated towards the close as fund and speculative buying and short-covering emerged. Sugar fell with early speculative long-liquidation but rallied in line with the grains as the market held support on trade buying, followed by commission house buying. Cocoa eased with fund selling in the face of good industry and trade buying. The grains markets exhibited nervousness following light rains overnight in Iowa. Soybeans, however, quickly found strength as traders perceived the rain to be far short of expectations.

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
Jun	457.1	456.1	459.0	455.1
Jul	458.5	457.5	0	0
Aug	461.7	460.7	463.3	458.8
Oct	466.8	465.8	468.2	464.3
Dec	472.1	471.1	473.7	468.8
Feb	477.8	476.4	479.8	477.8
Apr	483.2	481.8	482.8	480.5
Jun	488.6	487.4	491.0	484.5
Aug	494.7	493.3	0	0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Jun	579.2	573.0	577.3	577.3
Jul	581.5	575.5	586.0	572.5
Oct	587.5	581.2	591.5	578.5
Jan	594.8	588.2	593.5	585.0
Apr	602.3	595.2	605.0	596.0
Jul	609.6	602.2	0	0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Jun	714.5	709.0	715.0	715.0
Jul	716.0	719.0	729.0	708.0
Aug	722.9	717.9	714.0	709.0
Sep	727.8	722.8	733.0	713.0
Dec	742.8	737.7	749.0	727.0
Jan	747.7	742.6	0	0
Mar	758.4	753.4	764.0	740.0
May	769.3	764.4	773.0	756.5
Jul	780.5	775.8	0	0
Sep	792.0	787.3	0	0

COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Jun	112.40	110.00	112.40	110.00
Jul	107.50	105.15	109.00	105.20
Aug	103.00	100.85	0	0
Sep	96.50	96.00	99.50	96.60
Dec	90.10	88.40	91.50	89.50
Jan	87.90	86.40	0	0
Mar	83.40	82.50	85.70	83.00
May	80.00	80.10	83.50	83.50
Jul	78.80	78.90	0	0
Sep	77.80	77.90	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High/Low	
Jul	17.21	17.33	17.40	17.21
Aug	17.27	17.40	17.48	17.27
Sep	17.31	17.43	17.52	17.30
Oct	17.35	17.44	17.52	17.38
Nov	17.39	17.44	17.50	17.35
Jan	17.32	17.41	17.46	17.32
Feb	17.32	17.38	17.35	17.32
Mar	17.30	17.35	17.38	17.38

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High/Low	
Jul	4530	4593	4610	4550
Aug	4590	4627	4650	4585
Sep	4665	4691	4715	4660
Oct	4740	4757	4790	4740
Nov	4815	4827	4850	4815
Dec	4890	4897	4925	4885
Jan	4945	4917	4950	4945
Feb	4895	4897	4925	4895
Mar	4700	4722	4735	4700

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
Jul	1545	1549	1548	1531
Sep	1573	1579	1575	1560
Dec	1606	1611	1610	1595
Mar	1641	1649	1645	1630
May	1663	1673	1662	1668
Jul	1688	1698	0	0
Sep	1708	1723	1710	1710

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
Jul	140.72	137.88	141.00	136.55
Sep	141.16	138.74	142.50	137.65
Dec	142.44	139.81	143.50	138.80
Mar	142.40	139.95	142.40	139.01
May	142.40	140.38	142.40	139.10
Jul	142.40	141.50	140.00	140.00
Sep	143.70	141.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Jul	9.96	9.85	9.98	9.58
Oct	9.90	9.76	9.94	9.54
Jan	9.90	9.70	9.50	9.50
Mar	9.88	9.70	9.89	9.50
May	9.86	9.71	9.86	9.52
Jul	9.86	9.74	9.83	9.54
Oct	9.87	9.72	9.60	9.54

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
Jul	65.90	65.80	66.35	65.10
Oct	63.90	62.62	63.95	62.70
Dec	62.59	61.48	62.74	61.42
Mar	63.15	62.07	62.97	62.50
May	63.20	62.10	63.00	62.60
Jul	63.20	62.15	0	0
Oct	61.20	60.15	0	0

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
Jul	173.75	173.25	173.80	172.80
Sep	167.65	167.10	167.80	167.05
Nov	158.85	158.15	158.70	158.10
Jan	154.50	154.00	154.50	154.10
Mar	154.00	153.10	0	0
May	153.35	152.65	153.15	153.15
Jul	153.35	152.65	0	0
Sep	153.35	152.65	0	0
Nov	153.35	152.65	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)				
	June 8	June 7	mnth ago	yr ago
	1908.2	1909.0	1728.3	1608.5

DOW JONES (Base: December 31 1974 = 100)				
Spot	138.28	140.30	129.05	128.77
Futures	140.73	142.90	132.60	126.56

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
Jul	886/0	880/4	889/0	851/0
Aug	890/4	865/4	893/0	855/0
Sep	890/0	861/4	892/0	855/0
Nov	891/4	862/0	895/0	855/0
Jan	897/0	866/4	900/0	861/0
Mar	901/4	872/4	902/0	864/0
May	887/4	866/0	891/0	866/0
Jul	880/0	865/0	882/0	851/0
Aug	855/0	840/0	855/0	855/0
Nov	712/4	706/0	717/0	703/0

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
Jul	25.69	25.23	25.99	24.95
Aug	25.77	25.46	25.97	25.21
Sep	26.00	25.69	26.20	25.51
Oct	26.22	25.87	26.40	25.72
Dec	26.45	26.21	26.60	25.97
Jan	26.45	26.20	26.65	26.15
Mar	26.50	26.30	26.85	26.25
May	26.80	26.65	26.80	26.35
Jul	26.00	26.50	26.75	26.00
Aug	25.85	26.60	26.70	25.80

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
Jul	281.2	273.6	282.0	270.0
Aug	279.7	271.2	280.5	267.5
Sep	278.2	268.5	278.5	265.5
Oct	276.7	265.7	277.0	263.0
Dec	275.2	265.2	276.0	261.5
Jan	272.7	263.5	273.0	260.5
Mar	270.5	260.2	271.0	259.0
May	270.0	260.5	270.0	257.0
Jul	270.0	260.0	270.0	266.0
Aug	270.0	257.0	270.0	238.0

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
Jul	253/6	251/0	254/0	244/4
Sep	262/2	260/4	263/0	254/0
Dec	274/6	272/0	275/4	264/0
Mar	281/6	279/2	282/0	271/6
May	285/4	283/4	285/4	276/4
Jul	286/4	284/0	287/0	278/0
Sep	284/0	266/0	267/0	262/4
Dec	262/0	261/0	265/0	261/0

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
Jul	373/0	369/6	376/0	360/4
Sep	380/2	379/0	384/0	377/0
Dec	390/6	386/4	394/0	387/4
Mar	393/0	391/0	395/0	392/0
May	381/0	376/0	381/0	376/0
Jul	340/4	342/4	342/4	340/0

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Jun	72.37	72.75	72.82	72.30
Aug	66.65	67.12	67.68	66.57
Oct	67.02	67.30	67.72	66.90
Dec	68.95	69.07	69.35	68.85
Feb	69.85	69.95	70.35	69.85
Apr	71.75	71.80	72.05	71.75
Jun	72.10	72.17	72.80	71.80

LIVE HOGS 30,000 lb; cents/lbs	Close	Previous	High/Low	
Jun	51.00	51.42	51.50	50.45
Jul	50.02	51.38	51.25	49.80
Aug	48.70	50.20	50.80	48.70
Oct	44.85	44.42	44.75	43.80
Dec	46.57	46.57	46.85	46.00
Feb	48.42	48.52	48.80	47.15
Apr	45.60	45.65	45.95	45.00
Jun	47.72	48.80	48.25	47.55

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar trades in narrow range

THE DOLLAR showed little reaction to revisions in US trade figures for 1987 and 1986 released yesterday. Attention remained focused on trade figures for April, due for release next Tuesday.

Most traders were resigned to a period of inactivity until then. "There is no point in taking a view either way until the figures are known," one dealer volunteered. Trading volume was noticeably below the average.

Earlier in the day, the US unit had been underpinned by comments made by Mr Alan Greenspan, chairman of the US Federal Reserve Board, claiming that a further decline in the dollar would be harmful for the US trade performance.

The dollar closed at DM1.7195, up from DM1.7185 but eased slightly against the yen to Y125.30 from Y125.25. Elsewhere it finished at SFr1.4360 from SFr1.4330 and FFr5.8060 compared with FFr5.8000.

On Bank of England figures, the dollar's exchange rate index rose from 93.4 to 93.5.

Sterling finished unchanged on the day. Uncertainty about UK interest rates appeared to take a back seat, with sentiment driven primarily by dollar movements. As dealers pointed out, every time the dollar showed signs of hesitating, the pound quickly bobbed up above DM3.1200.

Next weeks's trade figures seem likely to provide a reaction for sterling roughly the opposite to the dollar's expected performance. The pound's exchange rate index finished unchanged from Wednesday's close at 76.7, having opened at 76.6.

Against the dollar, sterling finished at $1.8150 from $1.8180 on Tuesday, and DM3.1200 compared with DM3.1250 in D-Mark terms. Elsewhere it closed at SFr2.6075 from SFr2.5875 and FFr10.5375 from FFr10.5450. Against the yen it slipped to Y227.25 from Y227.75.

The D-Mark's reaction to the latest revised US trade figures was broadly neutral. The dollar's earlier advance was sustained, after failing to break below DM1.7200. It finished at DM1.7230 in Frankfurt from DM1.7180, after a fixing of DM1.7207.

However traders saw the extent of the dollar's rise as being limited ahead of the trade announcement. Recent comments by Mr Karl Otto Poehl, President of the West German Bundesbank, stressed that the authorities had little wish to see a weaker D-Mark, and this also tended to inhibit the extent of any dollar rise. The dollar was underpinned by the slowly widening differential between US and West German interest rates over the past few weeks. However there was a lack of any real volume.

The French franc trod the middle ground in Paris, losing to the dollar but improving against the D-Mark. The Franc held up well against other currencies ahead of this weekend's general election in France. The D-Mark slipped to FFr3.3744, from FFr3.3749 at the fixing, and FFr3.3800 on Wednesday.

The Bank of France left its money market intervention rates unchanged but this had little effect on the franc.

There was very little reaction to news that Japan's May trade surplus fell to an unadjusted $5.05bn from $6.42bn a year earlier. The adjusted surplus was $5.02bn against $6.37bn in April. The surplus with the US contracted to $3.3bn in May - on an unadjusted basis - from $4.45bn a year ago.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4314	+2.29	+1.03	±1.5344
Danish Krone	7.85212	7.89645	+0.56	-0.70	±1.5404
German D-Mark	2.05853	2.07744	+0.92	-0.34	±1.0981
French Franc	6.90403	7.00767	+1.50	+0.24	±1.3674
Dutch Guilder	2.31943	2.33231	+0.56	-0.70	±1.5012
Irish Punt	0.768411	0.776103	+1.00	-0.26	±1.6684
Italian Lira	1483.58	1542.97	+4.00	+3.25	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

June 9	Latest	Previous Close
£ Spot	1.8195-1.8200	1.8100-1.8110
1 month	0.07-0.06pm	0.09-0.08pm
3 months	0.35-0.32pm	0.34-0.33pm
12 months	1.60-1.50pm	1.65-1.34pm

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

June 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8100-1.8170	1.8145-1.8155	0.08-0.05cpm	0.40	0.40-0.35pm	0.83
Canada	2.2100-2.2200	2.2130-2.2140	0.21-0.31cdis	-1.41	0.45-0.57dis	-0.92
Netherlands	3.49½-3.51	3.50-3.51	1¼-1⅛cpm	4.07	3⅞-3⅝pm	4.28
Belgium	65.05-65.45	65.30-65.40	12-10cpm	2.02	42-38pm	2.45
Denmark	11.84-11.89	11.88-11.89	⅛-1oredis	-0.63	par-1⅛dis	-0.15
Ireland	1.1640-1.1675	1.1655-1.1665	0.05-0.10cdis	-0.77	0.25-0.35dis	-1.03
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 65.60-65.75. Six-month forward dollar 0.89-0.84cpm 12 month 1.70-1.60cpm

STERLING INDEX

		June 9	Previous
8.30	am	76.6	76.8
9.00	am	76.6	76.8
10.00	am	76.6	76.8
11.00	am	76.7	76.8
Noon		76.7	76.9
1.00	pm	76.7	76.9
2.00	pm	76.7	76.9
3.00	pm	76.7	76.8
4.00	pm	76.7	76.7

CURRENCY RATES

June 9	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	-	0.749264	0.665360
U.S. Dollar	6	1.36501	1.20676
Canadian $	8.75	1.66900	1.47406
Austrian Sch.	3	16.4620	14.6127
Belgian Franc	6¼	48.9458	43.4314
Danish Krone	7½	8.89918	7.89645
Deutsche Mark	2½	[illegible]	2.07744
[illegible]	[illegible]	[illegible]	[illegible]

*All SDR rates are for June 8

CURRENCY MOVEMENTS

June 9	Bank of England Index	Morgan Guaranty Changes %
Sterling	76.7	[illegible]
U.S. Dollar	93.5	[illegible]
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100).

OTHER CURRENCIES

[illegible]	[illegible]	[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

June 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible].

EURO-CURRENCY INTEREST RATES

June 9	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8⅝-8½ per cent; three years 9⅛-9 per cent; four years 9¼-9⅛ per cent; five years 9½-9⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Slight firming in quiet trade

A QUIET day on London's financial market was illustrated by the lack of turnover in long gilt futures on Liffe. Market volume was very modest at around 14,000 contracts, with dealers waiting for next week's US trade figures to provide some inspiration.

September long term gilt futures opened unchanged at 96-09, and closed just below the day's peak at 96-21. Three-month sterling deposit futures also opened unchanged at 90.67 for September delivery, and touched 90.76, before closing at 90.74.

The pound's steady tone on the foreign exchanges provided sterling interest rate contracts with support, but there were no other factors.

A figure around $12bn for the April US trade deficit is likely to prove neutral as far as the markets are concerned, but a deficit above $13bn will probably send the dollar lower.

On the other hand a US trade shortfall of less than $11bn will increase the attraction of the dollar, probably at the expense of sterling.

The US Commerce Department issued seasonally adjusted back figures on trade yesterday, in preparation for the start of seasonal adjustment to the trade figures from April.

After Tuesday's US trade news, there will be several UK figures to be taken into account on Thursday and Friday, followed by bank lending figures on Monday the 20th, and the UK trade figures the following Monday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
90	646	661	4	11
92	452	513	10	27
94	301	343	23	57
96	135	221	57	135
98	42	125	200	239
100	15	48	337	362
102	7	24	529	538

Estimated volume total, Calls 4754 Puts 1868
Previous day's open int. Calls 17561 Puts 23930

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
80	746	655	8	41
82	559	521	21	107
84	414	400	40	150
86	247	257	109	243
88	136	201	162	351
90	52	122	314	508
92	25	55	451	641

Estimated volume total, Calls 24 Puts 20
Previous day's open int. Calls 495 Puts 609

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements JUL	Puts-settlements Jun	Puts-settlements JUL
17000	1376	1519	1	29
17500	890	1077	15	87
18000	465	699	90	209
18500	177	408	302	418
19000	45	212	670	722
19500	7	97	1132	1107
20000	1	39	1626	1549

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 27 Puts 100

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Jun	Calls-settlements JUL	Puts-settlements Jun	Puts-settlements JUL
165	1645	1645	0	0
170	1145	1145	0	2
175	645	659	0	28
180	249	282	4	151
185	0	78	365	447
190	0	12	855	882
195	0	1	1355	1370

Estimated volume total, Calls 50 Puts 8
Previous day's open int. Calls 1137 Puts 309

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9150	88	62	0	8
9175	63	43	0	14
9200	38	28	0	24
9225	14	16	1	37
9250	1	8	13	54
9275	0	4	37	75
9300	0	2	62	97

Estimated volume total, Calls 50 Puts 360
Previous day's open int. Calls 4449 Puts 3193

LIFFE SHORT STERLING

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9025	109	68	0	19
9050	84	51	0	27
9075	60	36	1	37
9100	36	24	2	50
9125	14	16	5	67
9150	3	10	19	86
9175	0	5	41	106

Estimated volume total, Calls 694 Puts 456
Previous day's open int. Calls 14115 Puts 11954

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
1.750	16.05	6.26	6.98	16.97	0.02	0.30	0.75	1.22
1.775	3.55	4.18	4.69	15.21	0.02	0.73	1.36	1.96
1.800	1.19	2.48	3.13	3.76	0.05	1.52	2.24	2.91
1.825	0.02	1.33	1.99	2.56	1.33	2.71	3.53	4.16
1.850	-	0.65	1.10	1.73	3.70	4.46	5.13	5.73
1.875	-	0.21	0.62	1.08	6.15	6.50	7.00	7.55
1.900	-	0.04	0.28	0.48	8.66	8.80	9.13	9.55

Previous day's open int: Calls N/A Puts N/A
Previous day's volume: Calls N/A Puts N/A

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls-settlements Jun	Calls-settlements Jul	Calls-settlements Aug	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Jul	Puts-settlements Aug	Puts-settlements Sep
1.65	18.65			19.05	1.30			1.80
1.70	15.70			19.05	0.55			1.50
1.75	7.90	8.05	8.30	8.85	0.30	0.95	1.40	1.35
1.80	1.50	3.45	3.45	4.40	0.30	1.25	2.40	3.30
1.85	0.30	1.15	1.75	1.85	4.10	4.50	5.30	6.15
1.90	0.30	0.55	0.95	1.00	7.50	7.65	10.50	8.60
1.95	0.30	0.30	0.40	0.90	12.50	13.20	13.50	14.30

Estimated volume total, Calls NA Puts N/A
Previous day's open int: Calls 670 Puts 493

LONDON (LIFFE)

20-YEAR NOTIONAL GILT £50,000 32nds of 100% — [illegible]

7-10 YEAR 9% NOTIONAL GILT — [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND — [illegible]

THREE MONTH STERLING — [illegible]

US TREASURY BONDS 8% $100,000 32nds of 100% — [illegible]

THREE MONTH EURODOLLAR — [illegible]

FT-SE 100 INDEX — [illegible]

CURRENCY FUTURES — [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% — [illegible]

U.S. TREASURY BILLS (IMM) — [illegible]

JAPANESE YEN (IMM) — [illegible]

DEUTSCHE MARK (IMM) — [illegible]

THREE-MONTH EURODOLLAR (IMM) — [illegible]

SWISS FRANC (IMM) — [illegible]

STANDARD & POORS 500 INDEX — [illegible]

MONEY MARKETS

Very little change

THERE WAS little change to interest rates on the London money market yesterday. Sterling appears to have entered a steady phase, and was holding relatively firm at around DM3.12 and $1.8150 yesterday, without showing any sign of another sudden upward surge.

Activity in the market was subdued, with dealers reluctant to take a view, ahead of Tuesday's US trade figures, because of the probable impact on the pound.

UK clearing bank base lending rate 8½ per cent from June 8

Dealers expect sterling to be a major beneficiary from selling of the dollar on bad trade news, but it is likely to suffer more than most major currencies from good figures, leading to demand for the dollar.

This in turn will have a direct impact on the future direction of UK interest rates, and may decide whether the Bank of England has further room to raise bank base rates. Three-month interbank finished unchanged at 8⅝-8½ p.c. yesterday.

The Bank of England initially forecast a money market shortage of £150m, but revised this to £250m at noon.

Help of £100m was provided, when the authorities bought £100m bank bills in band 4 at 8⅝ p.c., before lunch.

There was no further intervention in the afternoon.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills, drained £223m, with a rise in the note circulation absorbing £55m. These factors outweighed Exchequer transactions adding £70m to liquidity, and bank balances above target of £45m.

In Paris the Bank of France left its money market intervention rate at 7 p.c. when injecting funds into the domestic money market, via a securities repurchase tender, against first category paper.

The central bank allocated FFr22.5bn at the tender, on a pact running until July 1. A total of FFr42.5bn will drain from the market today, when two earlier agreements expire.

The intervention rate has been unchanged since May 26, and there was some speculation that the Bank of France might cut the rate by ¼ p.c. ahead of Sunday's final round of elections for the French National Assembly.

In Frankfurt call money was steady at 3.45 p.c., but credit conditions are expected to tighten after noon.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 9) 3 months US dollars — bid 7⅝ offer 7¾; 6 months US Dollars — bid [illegible] offer 7⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds — [illegible]

June 9	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

June 9	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 7⅛ per cent; three months 8 per cent; Bank Bills (sell); one-month 7⅞ per cent; three months 8⅛ per cent; [illegible]

EUROPEAN OPTIONS EXCHANGE

Series	Vol	Last	Vol	Last	Vol	Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS : 54,128

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

[illegible]	[illegible]

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 3.46% [illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Capital	249.2	264.2	+2.3	3.00
Balanced	412.4	437.1xd	+3.9	3.37
Accumulator	635.8	634.0	+5.8	3.28
Income Trusts				
American Income	27.3	29.1	+0.3	4.16
High Income	297.5	315.4	+2.7	4.70
Equity Income	175.9	186.5	+1.3	4.19
High Yield	173.5	183.9xd	+1.3	5.02
Govt Securities	30.4	31.5	—	7.78
International Trusts				
Amer Spec Sits	59.7	63.6	+1.2	1.67
European Growth	17.4	18.5	—	1.35
International	90.9	96.8	+1.5	1.02
Japan	143.7	153.0	+2.3	0.01
Pacific	224.3	238.9	+3.4	0.20
Secs of America	181.1	192.9xd	+3.4	0.89
W'wide Asset Val	26.6	28.3	+0.4	1.06

Bishopsgate Progressive Mgmt. Co
15 St James' Place, London SW1A 1NW 01-493 8111

Progressive Inc	£15.00	15.87	—	1.36
Progressive Acc	£21.11	22.28	—	1.36
International Inc	£15.07	15.91	—	1.77
International Acc	£18.69	19.73	—	1.77
Can & Foreign Inc	180.1	190.3	+3.1	0.96
Can & Foreign Acc	200.9	212.0	+3.4	0.96
Special Sits Inc	158.8	168.0	—	2.44
Special Sits Acc	158.8	168.0	—	2.44

Brewin Dolphin Unit Tst Mngrs Ltd
5 Giltspur St, London EC1A 9DE 01-248 4400

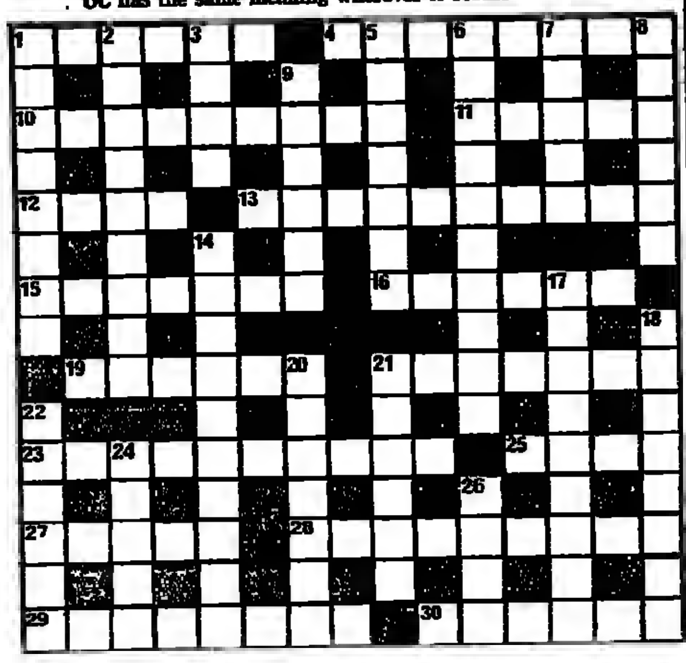
Brewin Capital	183.0	194.7	—	1.00
Brewin Dividend	98.5	104.8	—	5.82
Brewin Int Gth Inc	208.9	222.3	—	3.31

JOTTER PAD

FT CROSSWORD No.6,652

SET BY CINEPHILE

OC has the same meaning wherever it occurs in the clues



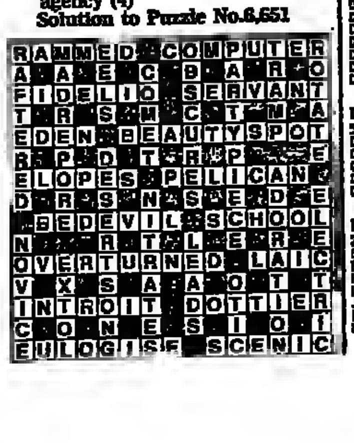
ACROSS

1 Discussion meetings turn into classes (6)
4 OC is poorly at home: note – be quiet to start with (8)
10 Move towards Toryism at the stated angle? (5,4)
11 OC of the French punishment (5)
12, 24 Prince with black look about cheer leader is OC (4-5)
13 Vacancies in command of green train, perhaps (10)
15 District register: no.1A includes bird (7)
16 OCs of which John is on top? (6)
19 OCs have obligations (6)
21 Exit point like this in complaint (4,3)
23 Crazy proposal for train? (10)
25 Girl OC each way (4)
27 Perch with ruler? (5)
28 OC's indication about extra point (9)
29 A wonderful time? (4,4)
30 OC's gift (6)

DOWN

1 Remote object for OC (8)
2 Dress circle hired to opera (9)
3 OC's little creature (4)
5 Horse's head seen strangely on horse, we hear: breakfast as usual? (4,3)
6 Was guide to north-east shore, dressed in German shorts (10)
7 New coin, 1,000 dollars, shouldn't be known, in short (5)
8 Entry to the French confection (6)
9 OC in Africa (6)
14 Said, about bad meal, that one can't win (10)
17 Point of tree on waterside or dame on boards (9)
18 Exert oneself on stray gnat, say (and swallow a camel? – see Matthew 23, 24) (6,2)
20 Say, about clenched fist, "that will do"? (7)
21 Predictable course of love among trees (6)
22 Something fishy about pound of gold for OC (6)
24 OC's bird on pole (5)
26 District centre of a welfare agency (4)

Solution to Puzzle No.6,651



FT UNIT TRUST INFORMATION SERVICE

Target Trust Mngrs Ltd
Target Hse, Gatehouse Rd, Aylesbury Bks 0296 394000

American Eagle	60.7	64.7xd	+1.2	1.27
Australia	9.2	9.7	-0.1	0.30
Commodity	61.0	65.3	+0.9	1.00
Convertible	149.4	159.0	+1.7	5.50
Equity	244.0	254.3	+0.7	3.18
Euro Spec Sits	77.9	82.7	+0.5	1.31
Financial	30.9	32.9	+0.1	1.91
Global Opps Inc	57.4	61.1	-	-
Global Opps Acc	57.4	61.1	-	-
Gold Income	55.0	58.5	+0.8	0.85
Gold Acc	101.6	108.3	-1.2	0.85
Income	107.3	114.4xd	-	5.52
Japan	127.8	135.5	+1.6	0.10
Pacific Income	114.7	122.1	+1.9	0.87
Pacific Re Inv	142.4	151.6	+1.9	0.87
Preference Share	25.2	26.9	-0.2	6.79
Special Sits	99.5	105.9	+1.2	0.59
Technology	41.4	44.1	+0.8	0.10
UK Capital	88.7	94.5	+1.2	1.29
World Income	50.9	54.2	+0.2	5.25
Worldwide Capital	145.5	155.0	+1.0	1.25
Equity Exempt	109.9	117.0xd	-	1.56
Equity Exempt Acc	210.6	224.2	-	1.56

Templeton Investment Management
20 Copthall Avenue, EC2R 7PA. 01-588 6064

Intl Per & Cir'Ues.	87.7	91.4xd	+2.4	-

Thornton Unit Managers Ltd
33 Cavendish Sq., London W1M 7RF 01-493 7262
Dealing 01-493 8545

American Opps.	37.8	39.9	+0.5	1.57
(Accum Units)	38.2	40.7	+0.5	1.57
European Opps.	41.6	44.4	+0.2	1.08
Far Eastern Opps.	82.1	87.6	+0.7	0.46
(Accum Units)	82.3	87.0	+0.6	0.46
Golden Opps	35.1	37.4	+0.3	1.15
Intl Hi-Yield	42.2	45.0	+0.4	4.36
Japanese Opps.	59.4	63.4	+0.8	0.08
(Accum Units)	59.4	63.4	+0.8	0.08
Kangaroo	30.6	32.6xd	+0.1	1.76
Oriental Income	28.0	29.9	+0.2	2.07
(Accum Units)	28.5	30.4	+0.2	2.07
Pacific Technology	51.7	55.1	+1.1	0.00
(Accum Units)	51.7	55.1	+1.1	0.00
Tiger	79.3	84.6	+0.3	0.50
(Accum Units)	80.1	85.4	+0.3	0.50
UK Hi-Yield	40.9	43.6xd	+0.3	8.59
Accum Units	44.2	47.1xd	-0.3	8.59

[illegible]

J. Rothschild Fund Management Ltd—Contd.

INSURANCES

AA Friendly Society
Investment Mngt B & S for Mngt Ltd

AA Friendly Sy May 13	-	134.9	-	-

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	234.5	246.9	-	-
Equity Ser 1	117.4	123.6	+1.6	-
Prop. Acc. Ser 2	339.7	357.6	-	-
Equity Ser 2	129.0	136.7	+1.7	-
Selective Acc.	279.9	294.7	+1.8	-
Prop. Ser. 4	267.8	281.9	-	-
Equity Ser. 4	132.4	139.4	+1.3	-
Fixed Int. Ser. 4	212.7	224.0	+0.1	-
Indexed Inv. Ser. 4	120.2	126.6	+0.1	-
American Ser. 4	253.1	266.5	+7.1	-
High Inc. Ser. 4	368.9	388.4	+4.7	-
Japan Ser 4	281.2	296.1	+3.4	-
Man. Ser 4	368.6	388.1	+3.2	-
Money Ser 4	213.4	224.8	-	-
European Ser 4	90.6	95.4	-	-
Pension Funds				
Property	450.3	474.3	-	-
Equity	937.3	986.7	+13.2	-
Selective	298.1	313.8	+2.1	-
Managed	668.9	704.2	+7.8	-
Security	394.1	414.9	-	-
Fixed Int	236.9	249.4	+0.2	-
European	122.9	129.4	-0.2	-
American	206.5	217.4	+7.8	-
Japan	302.8	318.8	+4.3	-
Indexed	127.3	134.1	+0.2	-
International	145.6	153.3	+0.1	-
Ethical	98.1	103.3	-0.5	-
High Income	98.4	103.6	+1.6	-

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assur. Co Ltd

Providence Capitol Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd - Contd.

Royal Life Insurance Ltd

Royal Lives Assce (Life & Pensions)

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd - Contd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd.

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

UK Provident

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plnrs.) Ltd

The Analysis Group PLC

Ashville Insurance Brokers Ltd

Atkinson Financial Services Ltd

Blackstone Franks Plc

Bryan Wells & Partners Ltd

Cameron Law & Company Ltd

James Campbell & Son Financial Services

Chase de Vere Investments Ltd

Clifton Financial Mgmt Ltd

Drummond Moores Plc

First Financial Services Ltd

The Fitzgerald Group

Gartmore Fund Managers Ltd

Hambros Financial Services (EY) Ltd

Investment Portfolio Services Ltd

Johnson Fry Plc

Knight Williams & Company Ltd

Lamont & Partners Plc

M & E Financial Management Plc

Marsh Financial Management Ltd

The Newmaster Group

O'Halloran & Co/Countrywide

Old Oak Investment Services

Chatham Fund Mgmt Ltd

PW Fund Management Ltd

The Porchester Group

Roxborough Financial Management Ltd

Sharp (Albert E.) & Co

Siltala Fund Managers Limited

Sitwell Financial Mgmt. Ltd

Towry Law & Co

University Medical General Ltd

J. D. Ward Financial Services Ltd

Ward Consultancy

OFFSHORE AND OVERSEAS

UK LISTED

Allied Dunbar International Fund Mgrs.

The Baradok Fund

Bartlett Capital Services Ltd

CMI Financial Mngmt Services Ltd

Capital House Fund Mgrs. (C.I.) Ltd

Cater Allen Investment Management (CI)

Delta Group

Fidelity Investments

Abbey Life Assurance Ltd

Bank of Bermuda

Equity & Law International Fund Mgr Ltd

Foreign & Colonial Management Ltd

Framlington Guernsey Fund Mgt Ltd

GT Management Plc

Gartmore Investment Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Global Asset Management Corp.

John Govett Mngmt International Ltd

Greyfriars Invest Managers (Guernsey) Ltd

Green Ono Limited

Hambros Fd Mgrs (CI) Ltd

Henderson Fund Managers

Hill Samuel Fund Mgrs (Jersey) Ltd

Ivory & Sime (Guernsey) Ltd

Jardine Fleming & Co Ltd

Kleinwort Benson (Guernsey) Fd Mngrs Ltd

Lloyds Bank (CI) U/T Mgrs.

MIM Britannia International Limited

Manulife Intl Fd Mgrs

PFC Intercapital Portfolio Fd Mngt Ltd

Prudential Intl Financial Services Ltd

Quilter International Management Ltd

Rothschild Asset Management

Royal Bank of Canada Funds

Royal Trust Fd Mngt (CI) Ltd

Save & Prosper International

The Sixes Fund (Cayman) Ltd

TSB Trust Funds (CI)

Target International (Jersey) Ltd

Thornton Investment Management Ltd

Touche Remnant (Guernsey) Ltd

Tyndall International Ltd

Union-Investment-Gesellschaft GmbH

Warburg Investment Management Jersey Ltd

OFFSHORE INSURANCES

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star International

Equity & Law International Life Assur Co Ltd

Eurolife Assurance Group

Finsure International Ltd

Harvard International Ltd

MIL Britannia Intl Ass Ltd

NEL Britannia Intl Ass Ltd

NM Schroder Life Assurance Intl Ltd

FT UNIT TRUST INFORMATION SERVICE

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100¾	99	Treas. 9½pc '88	100	—	[illegible]	8.42
102	101	Treas 11½pc 1989	101	-1/16	[illegible]	8.57
101	99	Treas 9½pc Cnv 1989	100	-1/16	[illegible]	8.74
97	95	Treas 3pc 1989	96	-1/16	[illegible]	6.45
102	100	Treas 10½pc 1989	101	—	[illegible]	8.72
102	100	Exch 10pc 1989	101	-1/16	[illegible]	8.88
103	101	Exch 11pc 1989	102	—	[illegible]	8.84
97	95	Treas 5pc 1986-89	96	-1/16	[illegible]	7.50
104	101	Exch 10½pc Cv '89	102	-1/16	[illegible]	8.19
107½	105	Treas 13pc 1990	105	-1/16	[illegible]	8.90
104	102	Exch 11pc 1990	103	-1/16	[illegible]	8.92
107	105	Exch. 12½pc 1990	105	-1/16	[illegible]	8.93
93	91	Treas. 3pc 1990	92	+1/16	[illegible]	6.98
99	98	Treas 8¼pc 1987-90	99	—	8.30	8.67
102	98	Treas. 8pc Cv 1990	100	-1/16	7.98	7.68
103	100	Treas. 10pc Cv 1990	102	-1/16	9.80	8.99
91	88	Exch 2½pc 1990	90	+1/16	2.77	0.91
107	105	Treas 11¾pc 1991	106	-1/16	11.08	9.05
95	92	Funding 5¾pc '87-91	93	—	6.12	8.20
90	87	Treas. 3pc 1991	88	—	3.37	7.27
105	101	Treas 10pc Cv '91	103	+1/16	9.69	8.82
107	104	Exch. 11pc 1991	105	-1/16	10.42	9.05
98	95	Treas. 8pc 1991	96	-1/16	8.24	8.99
113	109	Treas 12¾pc 1992	110	-1/16	11.48	9.08
104	101	Treas 10pc 1992	102	-1/16	9.73	9.09
98	94	Treas. 8pc 1992	96	-1/16	8.27	9.02
106	102	Treas 10½pc Cv 1992	104	-1/16	[illegible]	9.13
86	83	Treas. 3pc 1992	85	+1/16	[illegible]	7.29
112	108	Exch. 12¼pc '92	110	-1/16	[illegible]	9.21
117	113	Exch 13½pc 1992	114	-1/16	[illegible]	9.22
40	38	Treas. 8½pc 1993 (40)	39	-1/16	[illegible]	9.16
105	100	Treas 10pc 1993	103	-1/16	[illegible]	9.15
		Five to Fifteen Years				
115	111	Treas 12½pc 1993	112	-1/16	[illegible]	9.24
93	89	Funding 6pc 1993	91	-1/16	[illegible]	8.03
121	116	Treas 13¾pc 1993	118	-1/16	[illegible]	9.29
101	96	Treas. 9½pc 1994	98	-1/16	[illegible]	9.21
125	120	Treas 14½pc 1994	122	-1/16	[illegible]	9.29
120	115	Exch 13½pc 1994	117	-1/16	[illegible]	9.41
105	100	Treas. 10pc Ln. 1994	103	-1/16	[illegible]	9.24
116	111	Exch. 12½pc 1994	113	-1/16	[illegible]	9.44
101	95	Treas 9pc 1994	99	-1/16	[illegible]	9.15
114	109	Treas 12pc 1995	112	-1/16	[illegible]	9.47
83	79	Exch 3pc Gas 90-95	79	—	[illegible]	6.76

[illegible]

		Over Fifteen Years				

[illegible]

BRITISH FUNDS—Contd

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
130	121	Exch. 12pc '13-'17	128	+1/16	9.35	9.11
		Undated				
44	41	Consols 4pc	43	+1/16	9.13	—
39	37	War Loan 3½pc	39	+1/16	6.95	—
52	48	Conv. 3½pc '61 Aft	51	+1/16	6.75	—
33	30	Treas. 3pc '66 Aft	32	+1/16	9.14	—
28	26	Consols 2½pc	27	—	9.05	—
28	26	Treas. 2½pc	27	—	9.05	—
		Index-Linked			(1)	(2)
121	117	Treas 2pc IL '90(84.6)	121	+1/16	0.66	2.24
103	99	Do. 2pc '92 (97.8)	102	+1/16	2.11	2.80
40	39	Do. 2pc '94 (40)	40	+1/16	2.57	2.96
139	127	Do. 2pc '96(67.9)	138	+1/16	2.87	3.19
114	103	Do 2½pc '01 (78.3)	113	+1/16	3.58	3.81
111	101	Do. 2½pc '03(78.8)	110	+1/16	3.65	3.86
112	102	Do. 2pc '06(69.5)	111	+1/16	3.73	3.90
105	95	Do. 2½pc '09(78.8)	104	+1/16	3.74	3.90
109	99	Do. 2½pc '11(74.6)	108	+1/16	3.75	3.90
90	82	Do. 2½pc '13(89.2)	90	+1/16	3.74	3.88
98	88	Do. 2½pc '16(81.6)	97	+1/16	3.71	3.84
95	87	Do. 2½pc '20 (83.0)	95	+1/16	3.64	3.77
80	73	Do. 2½pc '24 (97.7)	80	+1/16	3.60	3.72

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for September 1987:102.4 and for April 1988:105.8

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
109	100	African Dv Bk 11¼Ln 2010	105	+1/16	10.52	10.45
104	96	Asian Dev Bk 10¼pcLn2009	102	+1/16	10.06	10.00
129	120	Australia 13½pc 2010	127	+1/16	10.60	10.32
112	103	Do. 12¾pcLn2015	110	+1/16	10.31	10.24
110	103	Euro Inv Bk 11pc Ln 2002	107	+1/16	10.20	9.94
105	98	Do. 10¼pc2004	103	+1/16	10.04	9.95
120	112	Int-Am Dev Bk 12¼pc 2003	117	+1/16	10.60	10.13
98	91	Do. 9½pcLn 2015	96	+1/16	10.10	10.13
96	85	Mlysia 10¾pcLn 2009	96	—	11.20	11.25
130	107	Sweden 13½pc Ln 2010	127	+1/16	10.58	10.26
109	87	[illegible]	109	+1/16	15.12	15.03

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
33½	27¼	Sun Co. Inc. $1	33⅛	.....	$3.00	–	5.0
28⅞	22½	TRW Inc. 62½c	25⅞	.....	$1.60	–	3.4
26½	21¼	Tenneco $5	26½	.....	$3.04	–	6.3
28⅝	19½	Texaco $6 25	28⅛	.....	†$3.00	–	5.8
52¾	43¼	Time Inc. $1	51⅞	.....	$1.00	–	1.1
20½	15⅞	Transamerica $1	18½	.....	$1.84	–	5.4
10¼	754p	Transworld Corp $5	953p	+47	20c	–	1.1
20¼	14½	TRINOVA Corp.	16¼	+⅛	56c	–	1.9
19	15½	USX $1	17⅝	.....	$1.20	–	3.7
23	17⅝	Utd. Technologies	21	.....	$1.60	–	4.2
31½	26¾	US West‡	30⅜	+1	$3.52	–	6.5
21¼	16⅞	Waste Management $1	19⅞	+⅛	36c	–	1.0
16¼	12⅞	Whirlpool $1	15	+⅛	$1.10	–	4.0
32	18¼	♦Woolworth $3½	28½	.....	$1.64	–	3.2

CANADIANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	190p	ABM Gold Corp ‡	283p	+7	–	–	–
32p	11p	♦Abbot Energy Corp.	24p	.....	–	–	–
14¼	990p	♦Amer. Barrick Res.	11¼	–⅛	–	–	–
10p	3½p	American Lightwave	7p	+2	–	–	–
47p	19p	♦Armeno	20p	–1	–	–	–
76p	45p	Augmitto Explo.	65p	–1	–	–	–
12¼	10⅝	Bk. Montreal ‡	12	+⅛	$2.00	–	7.4
595p	514p	Bk. Nova Scot. ‡	582p	+16	76c	–	5.8
17½	15¼	BCE ‡	17	+⅛	$2.44	–	6.5
716p	591p	♦Bow Valley‡	655p	+28	†40c	–	2.7
12⅛	10½	♦Brascan‡	11⅞	+⅛	88c	–	3.3
328p	189p	♦Breakwater Res.	261p	–3	10c	–	1.7
994p	801p	Can Imp Bank‡	994p	+25	$1.16	–	5.1
10¼	841p	Can Pacific ‡	10½	+⅛	60c	–	2.5
41½	40	Do. 4pc Deb £100	40½	.....	4%	–	9.9
476p	362p	Central Capital "A" ‡	434p	+2	–	–	–
886p	288p	Cons. TVX Min.	429p	+31	–	–	–
212p	76p	Danbus Res.	212p	+1	–	–	–
536½p	430p	Dertan Inds.	525p	+14	11.75c	–	1.0
14⅛	984p	♦Echo Bay Mines	12⅛	–⅛	14c	–	0.5
40p	26p	Energex Minerals	32p	+2	–	–	–
107p	83p	Euro-Asia Capital Ltd.	89p	–1	–	–	–
382p	222p	♦Galactic Resources	367p	–13	–	–	–
123p	99p	♦Geodome Res.	104p	–4	–	–	–
394p	206p	Granges Expl'n‡	250p	+3	–	–	–
16½p	8½p	♦Gt. Pacific Res.	11p	.....	–	–	–
899p	652p	♦Gulf Canada‡	836p	+7	52c	–	2.7
10¼	816p	♦Hawker Sid Can‡	10⅝	+⅛	$1.08	–	4.5
588p	344p	Hentys Group	408p	+17	–	–	–
957p	785p	♦Hudson's Bay ‡	864p	+7	60c	–	3.1
27⅝	22⅞	♦Imperial Oil‡	25½	+⅛	$1.80	–	3.1
17⅞	10⅛	Inco‡	17¼	+⅛	US$0.80	–	2.5
451p	312p	♦Intl. Corona Res.	427p	–5	–	–	–
716p	462p	♦Inland Nat. Gas $1	526p	+11	60c	–	5.1
577p	390p	♦Lacana Mining Corp ‡	532p	–24	015c	–	1.2
250p	150p	Madeleine Mines	219p	+4	–	–	–
181p	126p	♦Muscocho Explo.	164p	–4	–	–	–
187p	75p	♦Ntnl Business Syst. ‡	119p	+7	–	–	–
237p	110p	♦Nevada Goldfields	146p	–2	–	–	–
12	787p	♦Rio Algom	10	.....	$1.30	–	3.7
13½	11½	Royal Bk. Can. ‡	11½	+⅛	$2.08	–	6.7
[illegible]	177p	♦Royex Gold Mining ‡	261p	+3	–	–	–

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- a Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ■ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ■■ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	68	......
Craig & Rose £1.. γ	678	......
Finlay Pkg. 5p.... γ	77	......
Holt (Jos) 25p..... γ	£11½	......

IRISH

Nat. 9¾% 84/89..	£101	......
9pc Cap Ln. 1996..	£98¼	......
Fin. 13% 97/02...	£118½	......
Arnotts.......... γ	340	......
CPI Hldgs....... γ	110	+13
Carroll Inds....... γ	152	−3
Hall (R. & H.)......	160	......
Heiton Hldgs...... γ	43	+1
Irish Ropes....... γ	170	......
Unidare.......... γ	395	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp.	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord.	21
Cadburys	32
Charter Cons.	38
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	25
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	93
Guardian	85
GKN	28
Hanson	13
Hawker Sidd.	48
ICI	72
Jaguar	24
Ladbroke	38
Legal & Gen.	25
Lex Service	33
Lloyds Bank	26
Lucas Inds.	50
Marks & Spencer	17
Midland Bk.	37
Morgan Grenfell	30
NEI	10
Nat West Bk.	52
P & O Dfd.	52
Plessey	16
Polly Peck	30
Racal Elect.	32
RHM	30
Rank Org Ord.	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	11
T & N	17
Unilever	42
Vickers	14
Wellcome	45
Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50
Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26
Mines	
Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
May 23	Jun 2	Jun 8	Jun 13
Jun 6	Jun 16	Jun 17	Jun 27
Jun 20	June 30	Jul 1	Jul 11

*New time dealings may take place from 9.00 am two business days earlier.

Equities close firmly featured by speculation in food and insurance stocks

A SLOW trading session in the UK equity market ended with a burst of strength as the advances in US and Continental markets sparked off a revival of speculative activity in London. The attention switched away from the international market leaders and towards the food manufacturing and financial stocks as the the US market jousted with its post-Crash high. Modest rises were seen in the Government bond sector, which appeared broadly satisfied with the revised US trade figures for 1987 and the first quarter of 1988, released yesterday as a curtain raiser to the April trade figures due on Tuesday.

The FT-SE 100 Index put on 13.3 to 1841.5, showing strength in the final hour of trading when both the food and the composite insurance sectors were ablaze with speculative activity. Seaq turnover jnmped to 476.5m shares.

The excitement started when Rowntree shares moved up sharply on market rumours that Nestlé and Jacobs Suchard had struck a deal over their battle for control of the UK chocolate manufacturer quickly raced through the food share sector. Both Swiss firms firmly denied that Suchard had sold its Rowntree stake to Nestlé.

There was also a speculative rush into composite insurance shares, where bid rumours have circulated recently. The strongest feature was Sun Alliance.

The equity market had been marked higher before the official opening as London anticipated a strong response to Wall Street's overnight rise of 48 Dow points, to news from Tokyo of a reduced May trade surplus, and to an initially easier trend in sterling. London proved less enthusiastic than the Continental markets, however. As so often recently, buyers resolutely refused to put in an appearance. Prices were soon marked down again, and the early part of the session was slow going.

Trading statements from Beecham, Boots and British Telecom were received with satisfaction but without any great enthusiasm. With the bond market cautious as it awaited the revised US trade statistics, equities settled down to trade quietly.

The blue chips began to move up again as Wall Street made a firm start, but turned cautious as the Dow turned back from its post-Crash peak of 2110.8, chalked up on April 12.

The first hurdle came at mid-session when the US Commerce department released revised its '87 and '88 trade figures, showing the seasonal adjustments which will also be incorporated in next week's trade figures for April.

Bonds ended the session with gains of about ⅛ at the longer end. All eyes are focused on next week's trade figures announcement, which is likely to set the course for the dollar for the near term.

However, the revised trade deficit of $170.32bn for last year was "no surprise", said Mr John Whitehead, economic analyst at Robert Fleming, the UK securities house. "We still seem to be on course for $12bn monthly deficits this year", he added.

With the US bond market also steady following the revised deficit figures, London closed calmly. Turnover, however, remained disappointingly thin. Index-linked Gilts showed little change on the day.

After a quiet start, Rowntree once again became the centre of the market's attention as the rumour circulated that Suchard had agreed a deal to sell its stake in the chocolate manufacturer to Nestlé. Rowntree shares were marked sharply higher in mid-afternoon as analysts estimated that Nestlé would have to offer more than £11 per share to win the Suchard stake.

The two Swiss companies moved quickly to post official denials of the rumour, but this failed to take the heat out of the speculation. Talk of a deal between the two has been in the market for a few days and many market-makers remain convinced that the two companies are negotiating over Rowntree. Other sources suggested that Suchard still has hopes to capture Rowntree and will publish its offer document early next week. The Rowntree share price closed at 1070p, a gain of 26 on turnover of 1.6m.

Shares in Cadbury-Schweppes rose strongly in sympathy, putting on 8 to 414p. Mid-day turning of 1.9m shares jumped to 7.5m at the close in active trading, as dealers assumed Suchard, were it to sell its Rowntree stake, would turn its predatory attentions on Cadbury.

One rumour said that Suchard and General Cinema might agree to dismember Cadbury, with the Swiss firm taking the chocolate arm and General Cinema absorbing the bottling side.

Strong buying sent Unigate shares rocketing up 33 to close at 345p. Turnover was 4.8m following speculation that a bid may be made for the company next week. Dealers were unsure where the buying was coming from and none of the names mentioned as possible bidders - among them Hanson, Hillsdown Holdings and Grand Metropolitan - were given much credibility.

Past favourite to bid for Unigate, French company BSN, was widely touted, but one analyst was dismissive, saying that although BSN is big enough to launch a bid, the idea "smacks of desperation".

Composite insurance stocks closed strongly, with several London securities houses chasing the stock. Traders rejected suggestions that confidence in the dollar was behind the buying, and pointed to recent rumours that a major bid move in the sector is impending.

General Accident jumped 27 to 919, Sun Alliance 20 to 936p, Guardian Royal 20 to 898p and Royal 12 to 419p.

The rest of the financial sector followed the market trend, opening higher but topping off later. The sector remained subdued in late deals, when Wall Street influences were helping some of the international manufacturing stocks.

There was some speculative activity among life companies. Abbey Life regained 11 to 321p as buyers continued to look for an announcement from Banque Paribas, which is believed to have been building a stake with a view to bidding. Pearl, at 503p, were 8 to the good.

In discount houses, Cater Allen Holdings advanced by 17 to 330p following Wdenesday's premature release of the trading figures. The securities houses, active this week on renewed bid speculation, were busy again at the close, Morgan Grenfell gaining 10 to 353p and Warburg 4 to 335p.

Beecham weighed in with pre-tax porofits for the year of £406.5m which proved to be well in line with market expectations. Nevertheless, a good business developed in the shares (some 5.7m changed hands) with the price closing 6 down at 478p after the recent strong run.

In the wake of the figures, Flemings' analysts regard the shares as a dull hold for the momment, but sensitive to developments in Eminase, the group's heart drug.

Boots' preliminary figures(ex property and exceptional items) which came out at £235.7m were in line with the majority of market estimates and as expected caused little excitement.

However, with nothing positive emanating from the subsequent meeting with analysts and the market taking a cautious view on prospects, the Boots share price fell away to close 6 lower on the day at 216p. Around 8.3m shares were traded.

Amstrad remained in the limelight in the wake of the group's move into the production of satellite dishes. Amstrad is joining forces with Mr Rupert Murdoch's Sky TV which has secured space for four channels on the Astra medium-powered satellite.

The Amstrad share price advanced 11 more to 209p with volume remaining at a high level. Some 9.9m shares changed hands.

British & Commonwealth continued its recent rise in busy turnover of 3.6m shares. One dealer commented that "speculation is rife", and there was activity in the options market as well as in ordinary shares. One trade of 600,000 shares was reported at 272p and the shares closed at 274p, a rise of 11 on the day. Analysts warned that profit-taking could set in unless there is an announcement today.

Singer & Friedlander firmed 7 to 52p on persistent talk that B&C will bid for that bank on the back of its existing stake.

Thorn EMI came to life and moved ahead strongly to close 19 higher at 659p as Warburg Securities issued a buy recommendation for the stock. Interest was also enlivened by the group's increased bid for Hollophane of FFl.725, 15 per cent stake in the recently announced offer from Emess.

Racal met with US buying interest and eventually settled a few pence firmer at 316p in a volume of 2.9m shares.

There was a reasonable turnover in British Telecom (4.5m) which produced preliminary figures in line with market expectations. The share price closed a few pence firmer at 242p. Cable and Wireless were briskly traded at 365p, up 6, while reports of a favourable circular left STC 8 to the good at 268p.

BP followed the trend of other international blue chips, opening higher but then settling back towards overnight quotations when the buyers refused to enter the market. There was a cautious response to a statement from the UK Department of Trade and Industry that the Kuwait Investment Office (KIO) will not increase its BP stake beyond the present 22 per cent pending the report from the Monopolies and Mergers Commission, due now within three months.

The DTI statement followed nervousness over the KIO stake in the market earlier this week, when some analysts warned that, if pressure was put on the KIO by the Monopolies Commission, it might sell its entire BP stake. BP ended unchanged, the new shares at 70p and the old at 267p.

Among the more speculative issues, Enterprise, down 3 at 455p and LASMO, down 3 also at 455p after 460p, continued to look for merger plans.

The brewery sector was stagnant as bid speculation moved decisively to the food manufacturers and retailers in buoyant late trading. The rumours surrounding Rowntree and Cadbury lifted most of the food stocks, with Northern Foods rising 5 to 235p, Ranks Hovis McDougall putting on 6 to 368p and Bassett Foods gaining 4 to 225p. United Biscuits was also a firm market and the shares put on 7 to close at 306p, while Unilever opened higher after Wall Street's strong performance and closed 12 better at 475p.

Dalgety bucked the trend after Tuesday's strong rise, closing 6 down at 328p. Dealers said there were buyers of the stock, but only 1.3m shares changed hands as bid rumours retreated.

BAA's annual results were well received with the shares edging higher in a good volume of trade (6.2m) to close 3 higher at 288p. Pilkington, thought to have been oversold recently, were a particularly good market 213p, up 9, with trade expanding to around 4.6m.

Fisons met with a speculative flurry and put 8 to 268p. Buying was aroused by hopes of favourable news on the group's Pentamidine drug from the Aids conference to be held in Stockholm next week.

Sidlaw responded to bumper interim figures with a rise of 7 at 152p, while Coloroll, still reflecting the better-than-expected annual results, advanced 6 further to 197p.

Camford Engineering produced figures in line with expectations and the shares eased initially before closing at 204p, up 5.

Lucas continued Wednesday's progress and gained 11 more to 559p.

The highlight in the papers sector was News International, up 7 to 254p after Tuesday's announcement of the satellite television deal with Amstrad. Jefferson Smurfit rose 9 to 445p as dealers reported Irish buying following Wall Street'sovernight strength. Reed International was up and down as sellers appeared each time the shares threatened to rally and the shares finally closed 2 better at 408p.

Walter Runciman, the specialist in LPG carriers, closed 3 down at 336p despite an earlier rally to 343p. This followed yesterday's hostile bid from the diversified engineering company, Telfos Holdings.

The big three stocks in the Overseas Traders sector all lost ground. Lonrho never really showed after a disappointing set of interims. Profits before tax of £80.4m, up only £4.3m on the year, failed to excite the market and the shares dropped 4 to 238p.

The property sector was relatively quiet after the excitement of Tuesday's British Land and Great Metropolitan results. What interest there was focused on Regalian, up 4 to 184p on the back of yesterday's threefold jump in profits.

Turnover in Traded Options picked up handsomely, with the overall total up to 34,966 contracts, made up of 24,761 calls and 10,205 puts. The two to stand out were ADT, the former Bailey Group, the hospital and cleaning services company, with 2,801 calls and 191 puts, and Hanson, which recorded 1,852 calls and 1,290 puts.

Traditional Options

- First dealings May 31
- Last dealings June 10
- Last declarations Sept 1
- For Settlement Sept 12

For rate indications see end of London Share Service

Dealers reported an active session in the Traditional option market. Stocks favoured for the call included Singer and Friedlander, Land Securities, TSB, Rutland Trust, Bass, Johnson and Firth Brown, Cadbury Schweppes, North Kalgurli, Trimoco, Telemetrix, Trafalgar House, Reed International, Courtaulds, Dee Corporation, Pilkington, Coloroll and Stakis. Puts were arranged in Cadbury Schweppes, Tranwood, NSM and Elswick, while Scottish Ice Rink were dealt in for the double.

FINANCIAL TIMES STOCK INDICES

	June 9	June 8	June 7	June 6	June 3	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	89.80	89.78	89.72	89.62	89.43	92.64	91.43 (18/4)	86.97 (11/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.08	98.21	98.15	98.49	98.32	98.84	98.67 (25/5)	94.14 (2/2)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1463.7	1455.2	1445.1	1452.8	1444.4	1740.8	1478.7 (4/3)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	228.5	232.5	236.8	234.3	232.1	399.2	312.5 (7/1)	195.4 (13/5)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.52	4.53	4.56	4.54	4.58	3.28				
Earnings Yld. %(full)	11.60	11.64	11.73	11.66	11.76	7.91				
P/E Ratio (net)(*)	10.51	10.51	10.43	10.49	10.41	15.58				
SEAQ Bargains (5pm)	27,359	22,667	25,739	25,961	32,180	46,011				
Equity Turnover (£m)	-	1006.46	1277.39	924.53	1370.03	1877.58				
Equity Bargains	-	25,334	29,271	27,913	35,108	55,886				
Shares Traded (ml)	-	416.5	483.2	399.7	571.5	652.9				

S.E. ACTIVITY

Indices	June 8	June 7
Gilt Edged Bargains	104.1	110.6
Equity Bargains	164.1	189.7
Equity Value	2834.7	2581.9
5-Day average		
Gilt Edged Bargains	110.4	114.9
Equity Bargains	190.0	193.2
Equity Value	2332.3	2387.3

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1461.2	1461.7	1458.7	1459.3	1459.0	1459.9	1460.2	1462.7

Day's High 1463.7 Day's low 1457.8

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974. * Nil=10.40.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday June 9 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed Jun 8 Index No.	Tue Jun 7 Index No.	Mon Jun 6 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (208)	776.00	+0.9	10.08	3.95	12.36	11.31	768.87	765.30	767.76	931.02
2	Building Materials (29)	1008.33	+1.4	10.80	3.95	11.40	11.36	994.44	991.71	992.67	1241.84
3	Contracting, Construction (35)	1573.92	+0.9	10.30	3.39	12.84	25.92	1560.48	1559.33	1561.61	1689.28
4	Electricals (12)	2088.85	+0.3	9.86	4.81	13.65	45.53	2074.62	2066.24	2071.47	2334.42
5	Electronics (31)	1642.57	+1.1	10.04	3.33	12.93	17.77	1624.22	1607.16	1619.50	2058.84
6	Mechanical Engineering (56)	400.38	+0.7	9.80	4.34	12.75	6.05	397.54	396.04	395.02	494.39
8	Metals and Metal Forming (8)	467.37	+0.5	10.26	3.89	12.00	6.02	465.13	465.25	465.35	515.30
9	Motors (13)	276.69	+0.7	11.68	4.44	9.93	5.22	274.69	270.08	273.77	349.93
10	Other Industrial Materials (24)	1291.98	+0.7	9.10	4.33	13.06	21.24	1282.94	1282.27	1288.87	1530.46
21	CONSUMER GROUP (187)	1083.35	+0.4	8.88	3.54	14.25	13.03	1078.52	1073.94	1081.20	1305.30
22	Brewers and Distillers (21)	1115.60	—	10.67	3.62	11.78	13.58	1115.21	1116.69	1121.57	1217.14
25	Food Manufacturing (23)	983.93	+1.8	8.31	3.47	15.47	13.67	966.43	968.92	968.49	993.82
26	Food Retailing (15)	1982.82	+0.5	8.47	3.28	15.75	21.46	1972.35	1964.03	1981.41	2403.81
27	Health and Household (12)	1831.98	+0.4	6.83	2.66	17.89	18.93	1824.62	1809.34	1827.03	2511.65
29	Leisure (30)	1328.91	+0.7	7.94	3.58	16.09	18.36	1320.19	1311.92	1317.24	1332.63
31	Packaging & Paper (17)	491.30	+0.4	9.83	4.07	12.92	6.18	489.41	489.48	492.00	671.90
32	Publishing & Printing (16)	3404.81	+0.4	8.33	4.45	15.14	44.73	3391.70	3439.56	3412.85	3046.98
34	Stores (35)	811.22	-0.6	10.13	3.94	13.00	11.24	816.22	808.49	816.03	1125.45
35	Textiles (18)	583.19	+0.8	11.52	4.51	10.13	10.99	578.70	575.12	582.23	753.82
40	OTHER GROUPS (92)	892.38	+1.0	10.84	4.33	11.31	10.17	883.70	878.95	884.81	1090.70
41	Agencies (19)	1166.66	+0.6	7.10	2.31	17.77	11.31	1159.79	1153.60	1161.04	1525.94
42	Chemicals (20)	1045.95	+1.3	11.56	4.70	10.57	21.53	1032.30	1022.55	1029.53	1314.10
43	Conglomerates (13)	1195.86	+1.4	10.40	4.42	11.85	16.27	1178.67	1165.44	1173.51	1344.34
45	Shipping and Transport (12)	1917.32	+0.7	11.03	4.66	12.01	29.61	1904.42	1902.16	1900.55	2243.43
47	Telephone Networks (2)	954.75	+1.0	11.51	4.60	11.31	0.00	945.27	942.63	945.27	1219.17
48	Miscellaneous (26)	1192.60	+0.5	11.23	4.23	10.11	19.26	1186.43	1185.13	1199.80	1461.86
49	INDUSTRIAL GROUP (487)	962.40	+0.7	9.72	3.86	12.83	12.04	955.55	951.10	954.48	1165.19
51	Oil & Gas (13)	1854.69	+0.4	10.41	5.51	12.40	39.00	1847.92	1844.61	1858.87	2175.34
59	500 SHARE INDEX (500)	1037.88	+0.7	9.82	4.10	12.77	14.34	1030.93	1026.55	1032.59	1258.88
61	FINANCIAL GROUP (122)	711.49	+1.3	–	4.71	–	14.08	702.56	691.65	695.53	764.52
62	Banks (8)	679.40	+0.9	20.95	5.99	6.40	18.03	673.41	670.06	668.94	797.83
65	Insurance (Life) (8)	1034.24	+1.3	–	4.85	–	24.97	1021.38	1017.96	1008.46	1118.22
66	Insurance (Composite) (7)	548.69	+2.6	–	5.39	–	13.82	534.58	531.78	532.67	556.93
67	Insurance (Brokers) (7)	978.28	+0.3	9.99	6.51	12.98	26.67	975.36	971.88	971.86	1179.29
68	Merchant Banks (11)	378.23	+0.6	–	3.67	–	3.94	375.86	377.32	356.65	384.86
69	Property (51)	1238.91	+0.9	4.78	2.59	26.83	11.21	1228.41	1224.36	1219.34	1157.18
70	Other Financial (30)	395.88	+2.2	9.76	4.71	12.73	5.96	387.35	384.27	383.41	499.28
71	Investment Trusts (81)	886.10	+0.6	–	2.96	–	10.24	881.23	876.60	877.55	1038.29
81	Mining Finance (2)	533.86	-0.2	9.85	3.52	12.49	8.12	534.80	533.21	539.41	512.15
91	Overseas Traders (8)	1121.58	-1.1	10.39	4.99	11.31	27.23	1134.27	1129.53	1138.00	1844.86
99	ALL-SHARE INDEX (713)	951.87	+0.7	–	4.16	–	14.09	944.98	940.97	944.69	1119.63

	Index No.	Day's Change	Day's High	Day's Low	Jun 8	Jun 7	Jun 6	Jun 3	Jun 2	Year ago
FT-SE 100 SHARE INDEX ‡	1841.5	+13.3	1841.5	1833.5	1828.2	1828.2	1832.7	1819.2	1810.3	2249.3

FIXED INTEREST

	PRICE INDICES	Thu Jun 9	Day's change %	Wed Jun 8	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	122.74	-0.04	122.92	0.13	5.33
2	5-15 years	141.25	+0.04	141.20	–	5.09
3	Over 15 years	149.61	+0.22	149.67	0.40	6.67
4	Irredeemables	166.51	+0.15	166.26	–	6.31
5	All stocks	137.55	+0.05	137.59	0.10	5.42
	Index-Linked					
6	5 years	127.84	+0.13	127.67	–	0.51
7	Over 5 years	121.09	+0.10	120.97	–	1.18
8	All stocks	121.47	+0.10	121.34	–	1.12
9	Debentures & Loans	118.79		118.80	–	5.86
10	Preference	93.35	-0.02	93.37	–	3.22

	AVERAGE GROSS REDEMPTION YIELDS		Thu Jun 9	Wed Jun 8	Year ago (approx.)
	British Government				
1	Low	5 years	8.85	8.83	7.83
2	Coupons	15 years	9.15	9.16	8.62
3		25 years	8.99	9.01	8.63
4	Medium	5 years	9.29	9.27	8.62
5	Coupons	15 years	9.35	9.37	8.87
6		25 years	9.15	9.18	8.87
7	High	5 years	9.38	9.36	8.87
8	Coupons	15 years	9.50	9.51	8.99
9		25 years	9.22	9.23	8.78
10	Irredeemables†		9.05	9.05	8.70
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.68	2.72	2.30
12	Inflation rate 5%	Over 5 yrs.	3.82	3.83	3.61
13	Inflation rate 10%	5 yrs.	1.74	1.77	1.90
14	Inflation rate 10%	Over 5 yrs.	3.66	3.67	3.53
15	Debs &	5 years	10.23	10.23	9.51
16	Loans	15 years	10.65	10.65	9.82
17		25 years	10.68	10.68	9.91
18	Preference†		9.58	9.58	10.14

‡Opening index 1815.3; 10 am 1813.6; 11 am 1817.1; Noon 1818.3; 1 pm 1819.3; 2 pm 1819.2; 3 pm 1820.8; 3.30 pm 1820.3; 4 pm 1820.6

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

NEW HIGHS AND LOWS FOR 1988

[illegible]

LONDON TRADED OPTIONS

[illegible]

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA Group	328	General Accident	956	Prudential	3,900
Allied-Lyons	2,600	General Elect.	5,900	Racal	2,900
Amstrad	8,800	Glaxo	1,000	Rank Org.	353
Argyll Group	2,100	Globe Investment	152	RMC	359
Assoc. Brit. Foods	275	Granada	429	RHM	1,000
BAA	6,200	Grand Met.	1,000	Reckitt & Colman	238
BAT	1,100	GUS "A"	162	Redland	775
BET	2,000	Guardian R.E.	419	Reed Intl.	4,000
BICC	632	GKN	405	Reuters "B"	1,700
BOC	1,800	Guinness	1,100	RTZ	676
BPB Inds.	849	Hammerson	112	Rolls-Royce	4,100
BTR	2,000	Hanson	6,100	Rothmans "B"	285
Barclays	1,400	Hawker Siddeley	264	Rowntree	1,600
Bass	354	Hillsdown Holdings	796	Ryl Bank Scotland	1,000
Beecham	5,700	IMI	158	Royal Insurance	2,300
Blue Arrow	2,600	ICI	1,100	STC	1,800
Blue Circle	258	Inchcape	2,000	Saatchi & Saatchi	1,000
Boots	8,300	Jaguar	1,000	Sainsbury	445
Brit. Airways	3,700	Ladbroke	471	Scott & Newcastle	406
Brit. Aerospace	766	Land Securities	794	Sears	2,500
Brit. & Comm.	3,600	Laporte	167	Shell Transport	779
British Gas	7,900	Legal & General	758	Smith & Nephew	2,000
BP	2,300	Lloyds Bank	806	Standard Chartered	1,800
Brit. Telecom	4,500	LASMO	2,000	Storehouse	873
Burmah Oil	576	Lonrho	812	Sun Alliance	225
Burton	837	Lucas	1,000	T & N	1,400
Cable & Wireless	4,400	MEPC	534	TSB	2,800
Cadbury Schweppes	7,500	Marks & Spencer	1,500	Tarmac	1,400
Coats Viyella	327	Maxwell Comm.	246	Tesco	4,300
Commercial Union	5,800	Metal Box	1,200	THORN EMI	2,100
Cons. Gold	498	Midland Bank	1,300	Trafalgar House	3,000
Cookson	35	NatWest Bank	2,300	Trusthouse Forte	944
Courtaulds	1,300	Next	834	Ultramar	995
Dalgety	1,300	Northern Foods	920	Unilever	897
Dee Corporation	127	Pearson	37	United Biscuits	1,800
Dixons	3,200	Pearl Group	701	Wellcome	1,100
English China Clays	377	P & O	505	Whitbread "A"	454
Enterprise Oil	452	Pilkington	4,600	Williams Holdings	1,500
FKI Babcock	1,500	Plessey	2,000	Wimpey	626
Fisons	5,100			Woolworth	1,500

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	52	43	18
Corporations, Dominion and Foreign Bonds	17	0	36
Industrials	536	218	807
Financial and Properties	253	62	341
Oils	34	24	48
Plantations	3	0	10
Mines	21	38	132
Others	104	29	138
Totals	1,020	414	1,530

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

June 9	Sch	+ or −
Creditanstalt	1,980	—
Goesser	2,720	—
Interunfall	10,020	+10
Jungbunzlauer	7,240	−30
Laenderbank	358	—
Perlmooser	642	+2
Steyr-Daimler	79	+2
Veitscher Mag	605	—

BELGIUM/LUXEMBOURG

June 9	Frs.	+ or −
B.B.L.	2,650	—
Banque Gen. Du. L.	13,500	—
Bank Int. A	13,000	—
Bekaert B	10,000	+50
Ciment CBR	5,800	+100
Cockerill	222	+18
Colruyt	9,200	+200
Delhaize	4,340	+100
EBES	4,360	+35
Fabrique Nat.	778	+18
GB Inno BM	1,258	+10
GBL(Brux)L	3,160	−30
Generale Bank	5,050	—
Gevaert	7,200	+100
Hoboken	8,050	+50
Intercom	3,510	+100
Kredietbank	4,245	—
Pan Holdings	11,700	−200
Petrofina	12,300	+125
Raffinerie Tirle	1,998	+6
Royale Belge	5,300	—
Soc Gen Belge	4,800	−200
Sofina	13,175	+75
Solvay	13,000	+25
Stanwick Intl	80	—
Tractebel	6,900	+40
UCB	8,750	+110
Wagons Lits	5,260	+30

DENMARK

June 9	Kr	+ or −
Baltica Hldgs	535	−5
Carlsberg	1,040	+10
Cop Haandelsbank	255	+1
D. Sukkerfab	364	+4
Den Danske Bank	354	+4
East Asiatic	194	+3
GNT Holding	218	+2
I.S.S. B Systems	758	+8
Jyske Bank	425	+3.375
Novo Inds	190	+5
Privatbanken	245	+2
Sophus Berendsen	847.5	+2.5
Superfos	2,375	+85

FINLAND

June 9	Mka	+ or −
Amer	207.5	+4.75
Finnish Sugar	58.9	+0.4
KOP	67.05	+1.3
Kone	255.5	+2
Kymmene	124.5	—
Nokia	187	+4.5
Pohjola 'B'	91.8	+0.6
Rauma-Repola	33.75	—
Stockmann 'B'	239	+5
UBF 'C'	34.95	+0.1
Utd. Paper	127.5	—
Wartsila (s11)	237.5	+2

FRANCE

June 9	Frs.	+ or −
Emprunt 4.5% '73	1,472	.....
Accor	462	+12
Air Liquide	573	+11
Alcatel	2,350	+70
BIC	725	+25
BNP (Cert.Inv.)	292	+5
Bongrain	2,349	+84
Bouygues	965	+6
BSN	4,700	+52
Carrefour	2,615	+87
Club Mediterranee	454	+4
Cie Bancaire	472	+12
Cie Fin. de Suez	248	−2
Cofimeg	380	−4
CGE	205.8	+5.8
Damart	2,499	+79
Darty	402	+2
Dumez S.A.	629	+26
Eaux (Cie Gen)	1,230	+27
Elf-Aquitaine	338	+8
Essilor	2,505	−34
Gen Occidentale	773	+13
Havas	644	−3
Imetal	206.5	+8.7
LVMH	2,580	+80
Lafarge Coppee	1,349	+30
L'Oreal	3,415	−35
Legrand	2,810	+35
Maisons Phenix	59	+5
Matra S.A.	187	+5
Michelin B	205	+5
Midi (Cie)	1,610	+11
Moulinex	75	+0
Nord Est	104	+6
Paribas	383	+2
Pernod Ricard	960	+21
Perrier	870	−28
Peugeot S.A.	1,110	+10
Printemps Au	520	+13
Radiotech	699	−6
Redoute	2,550	+55
Roussel-Uclaf	886	+2
St.Gobain	489	+17
Sefimeg	399	−5
Skis Rossignol	779	+27
Telemech Elect	5,505 s	.....
Thomson (CSF)	201	+4
Total-Petroles Fr.	381	+15
Valeo	475	+15

GERMANY

June 9	Dm.	+ or −
AEG	208.8	+0.8
Allianz AG	1,411	+24
BASF	259	+3.1
Bayer	288.2	+5.8
Bayer-Hypo	347	+4
Bayer-Verein	335	+8
BHF-Bank	387	+19.5
BMW	529	+5
Brown Boveri	305	−5
Commerzbank	223.5	+4.5
Cont'l Gummi	251.8	+4.8
Daimler-Benz	645	+23
Degussa	340.2	+0.2
D'sche Babcock	155	+2.2
Deutsche Bank	432.5	+9
Dresdner Bank	245.5	+3.5
Feldmuehle Nobel	307	−2.5
Henkel	502	+12
Hochtief	424.9	+6.9
Hoechst	266.8	+2.5
Hoesch	137.4	+2.4
Holzmann (P)	345	−1
Horten	185	+5
Hussel	433	+6
Karstadt	438.5	+3.5
Kaufhof	392	+2
KHD	127.5	+0.3
Kloeckner Werke	101	....
Linde	688	+10
Lufthansa	143.5	+1
MAN	189	+3.2
Mannesmann	157.5	+4.5
Mercedes Hld	515.5	+21.5
Metallgesell	319	—
Muench Rueck	1,893	—
Nixdorf	529	−5
Porsche	509	+4
Preussag	171	+7.5
Rhein West Elect	217.7	+9.2
Rosenthal	197	+9
Schering	515	+13
Siemens	385.7	+3.7
Thyssen	143.7	+3.2
Varta	294	+3.5
Veba	255.5	+3.5
V.E.W.	164.2	+0.1
Verein-West	350	—
Volkswagen	255.8	+2

ITALY

June 9	Lire	+ or −
Banca Com'le	1,950	−25
Bastogi-IRBS	240	+0
CIR	5,399	+189
Credito Italian	1,000	−8
Fiat	8,830	+170
Generali Assicur	84,500	+1,000
Italcementi	100,700	−2,650
La Rinascente	3,520	+80
Montedison	1,580	+45
Olivetti	9,795	−5
Pirelli Co	4,224	+87
Pirelli Spa	2,515	+55
Saipem	2,000	—
Snia BPD	1,986	+36
Toro Assic	17,401	+751

NETHERLANDS

June 9	Fls.	+ or −
ACF Holding	49.30	+1
AEGON	80.50	+1
Ahold	74.40	+0.9
AKZO	118.70	+1.9
ABN	39.60	+0.6
AMEV	53.20	+1
AMRO	70.00	+2.6
Borsumij Wehry	101.50	+2
Buehrmann-Tet	47.00	+1.3
Dordtsche Petroleum	212.30	+2.7
Elsevier Ndu	57.60	+0.8
Fokker	25.90	+0.6
Gist Brocades	32.80	+0.3
Heineken	131.00	+1
Hoogovens	42.50	+0.5
Hunter Douglas	50.70	+0.4
IHC Caland	14.50	+0.2
Int Mueller	53.30	+1.5
KLM	36.30	+0.5
KNP	136.8	+3.8
Nat Ned Cert	60.00	+1.5
Ned Mid Bank	153.00	+2
Nedlloyd	230.50	+2.3
Oce Grinten	217.50	+3
Ommeren (Van)	25.80	−0.1
Pakhoed	88.50	+0.5
Philips	30.30	+0.7
Robeco	91.60	+1.4
Rodamco	154.80	+0.3
Rolinco	86.70	+1.5
Rorento	57.60	+0.2
Royal Dutch	228.40	+4
Unilever	109.30	+3.2
VMF Stork	19.10	....
VNU	89.50	+1.5
Wessanen	72.80	+0.6
Wolters Kluwer	144.00	+2

NORWAY

June 9	Kroner	+ or −
Aker Norcem	45.00	....
Bergens Bank	131.00	−0.5
Bergesen B	287.50	+1.5
Christiania Bk	115.00	+1
Den Norske Credit	99.50	+3
Elkem	128.00	+2
Hafslund	555.00	+5
Kosmos	103.00	−0.5
Kvaerner	230.00	+5
Norsk Data	64.00	—
Norsk Hydro	206.50	+5
Orkla Borregaard	198.5	+6.5
Storebrand	50.00	+2

SPAIN

June 9	Pts. %	+ or −
Alcazar	597	....
Banco Bilbao	1,170	−13
Banco Central	1,235	—
Banco Exterior	555	....
Banco Hispano	840	+11
Banco Popular	1,740	−10
Banco Santander	1,448	+8
Banco Vizcaya	1,170	−15
Banesto	1,385	....
Dragados	428 xc	−6
Hidrola	99.5	+1
Iberduero	138.2	+2.5
Petroleos	514.5	+8.5
Telefonica	193.2	+2.2

SWEDEN

June 9	Kroner	+ or −
AGA (Free)	194	....
Alfa-Laval	381	+2
ASEA B (Free)	377	+2
Astra B (Free)	191	....
Atlas Copco	198	+2
Electrolux B	247	−2
Ericsson	256	+2
Esselte	186	....
Mo Och Domsjo	372	+4
Pharmacia	173	+7
Saab-Scania (free)	217	+1
Sandvik	212	+2
Skandia Ins	154	+2
Skandia Intl	161	+3
Skan Enskilda	148	+1
SKF	274	....
St Kopparbergs	410	+1
Svka Cellulosa	370	+1
Svka Handelsbn.	122	+1
Swedish Match	139	+1
Volvo B (Free)	341	+3

SWITZERLAND

June 9	Frs.	+ or −
Adia Intl	8,025	+75
Alusuisse	841	+13
Bank Leu	2,760	+35
Brown Boveri	2,390	+10
Ciba Geigy	3,225	+65
do. (PtCts)	2,030	+20
Credit Suisse	2,510	+20
Elektrowatt	2,970	+70
Fischer (Geo.)	1,040	+60
Hoff-Roche (PtCts)	113,250	+250
Hoff-Roche 1/10	11,325	+25
Inspectorate Int.	2,050	+50
Jacobs Suchard	7,675	+25
Jelmoli	2,480	+30
Landis and Gyr	1,130	+45
Nestle	8,650	+10
Oer-Buehrle	940	+15
Pargesa Hldg	1,525	+5
Pirelli	236	−4
Sandoz (Br)	11,850	....
Sandoz (PtCts)	1,900	+55
Schindler (PtCts)	669	+19
Sika	640	+13
Surveillance	4,600	....
Swissair	1,110	....
Swiss Bank	341	+6
Swiss Reinsce	12,600	+200
Swiss Volksbk	1,630	+10
Union Bank	3,105	+25
Winterthur	5,415	+90
Zurich Ins	5,940	+130

SOUTH AFRICA

June 9	Rand	+ or −
Abercom	2.55	....
AECI	10.2	+0.1
Allied Tech	97.5	....
Anglo Am Coal	32.75	−0.25
Anglo Am Corp	51.15	−0.75
Anglo Am Gold	244	−6
Barlow Rand	21.6	−0.2
Buffels	54	−1
CNA Gallo	5.45	....
Currie Finance	3.3	+0.13
De Beers	35.75	−0.75
Driefontein	33.5	−1
First Nat. Bank	14.25	....
Free State Cons Gold	28.4	−1.1
Gold Fields SA	54.75	−0.25
Highveld Steel	5.3	....
Malcor Hldgs	16.2	+0.2
Nedbank	6	....
OK Bazaars	13	....
Rembrandt	12.9	....
Rust Plat	36.75	−0.85
Safmarine & Ren.	19.75	−0.25
Sage Holdings	12	....
SA Brewers	17.6	−0.05
Smith (C G)	57.5	....
Tongaat Hulett	10.6	−0.15

JAPAN

June 9	Yen	+ or −
Ajinomoto	3,320	+20
All Nippon Air	1,840	+20
Alps Electric	1,800	—
Amada	1,250	—
Amano	1,670	+30
Ando Construct	898	+2
Anritsu	2,500	—
Aoki Corp.	1,140	−20
Arabian Oil	6,300	+50
Asahi Chemicals	1,150	+10
Asahi Glass	2,110	+20
Jusco	2,030	+30
Kajima	1,600	+70
Kaken Pharm	1,890	—
Kanebo	639	—
Kanegafuchi Chm	1,020	+20
Kansai Elect pw	3,200	+40
Kansai Paint	675	−1
Kao Corp	1,910	+10
Kashiyama	1,750	−20
Kawasaki Heavy	520	+32
Nippon Lt Metal	768	−2
Nippon Meat Pak	2,140	+10
Nippon Mining	638	−3
Nippon Oil	1,180	—
Nippon Road	1,300	—
Nippon Sanso	741	−13
Nippon Seiko	760	−3
Nippon Sh Glass	875	−10
Nippon Shinpan	1,260	+10
Nippon Steel	523	+19
Nippon Suisan	818	+4
TDK	4,490	+50
Teijin	883	+17
Teikoku Oil	885	−7
Toa Nenryo Kyo	1,840	—
Tobishima	1,270	—
Toho	29,900	—
Tokai Bank	2,160	−10
Tokai Carbon	651	−9
Tokio Marine	2,020	+50
Tokyo B'casting	2,650	+20
Tokyo Electric Pwr	6,100	+50

AUSTRALIA (continued)

June 9	Aust$	+ or −
Kidston Gold	4.47	−0.03
Lend Lease	14.30	+0.2
MIM	1.94	−0.09
Mayne Nickless	6.40	+0.1
Nat. Aust. Bank	6.20	+0.02
News	11.30	+0.1
Noranda Pacific	0.95	....
North Bkn Hill	3.34	−0.1
Oakbridge	0.22	....
Pacific Dunlop	4.35	+0.1
Pancont'l	2.40	+0.15

CANADA

TORONTO

2pm Prices June 9

OVER-THE-COUNTER

Nasdaq national market, 3pm Prices June 9

Continued from page 49

Stock	Div.	Sales 100s	High	Low	Last	Chng
Wyse		11 3267	20¾	20⅜	20⅜	+ ⅛
		– X – Y – Z –				
XL Ot s		18 469	27¾	27	27	− ¼
XOMA		1105	13	12¾	12½	
X-Rite	.08	18 62	27	28¾	20¼	− ¾
Xicor		19 3550	8	6⅞	6¼	− ¼
Xidex		2440	5⅞	5½	5⅝	+ ⅛
Xylogic		8 43	9½	9¼	0¼	− ¼
Xyvan		43	6¾	6⅞	6⅞	− ⅛
YlowF s	.62	18 427	28	27¾	28	
ZionUt	1.44	9	28	25¼	00	+ ¾
Zondyn		33 525	9	6⅞	6⅞	

CHIEF LONDON PRICE CHANGES YESTERDAY

TOKYO – Most Active Stocks
Thursday, 9 June, 1988

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	195.70m	523	+19
Kobe Steel	192.90m	468	+31
NKK	182.93m	520	+16
Kawasaki Steel	182.83m	548	+13
Mitsubishi Electric	152.59m	819	+31
Mitsubishi Heavy Industries	124.31m	791	+21
Kawasaki Heavy Industries	122.23m	520	+32
Sumitomo Metal	96.66m	468	+28
Toshiba	92.62m	928	+15
Ishikawajima-Harima Heavy Industries	60.34m	978	−1

INDICES

NEW YORK DOW JONES

CANADA

NEW YORK ACTIVE STOCKS

§ Subject to official recalculation

Closing Prices June 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
26	14	AAR s	.36	1.5	26	125	24¼	23¼	23⅞	– ⅛
12⅛	8½	ACMIn	n1.05	9.4		659	11⅛	11⅛	11⅛	– ⅛
12⅛	10⅞	ACMSc	n1.25	11.		369	11⅛	11½	11⅛	
16⅞	16	ACMSp n				399	16	16	16	
27	10½	AGS			19	2042	25⅞	20¼	25⅞	– ⅞
7⅞	3⅝	AMCA				357	3½	3¼	3⅞	+ ⅞
8⅞	3¼	AM Intl				1580	3⅞	3⅝	3¼	
29⅞	17	AM Int pf	2	11.		15	18⅛	18	18	– ⅛
65½	28¼	AMR			12	3865	47	46¼	46⅞	+ ⅛
27¼	20	ANR pf	2.67	10.		30	25¼	25½	25½	
24¼	18	ANR pf	2.12	9.0		33	23½	23⅞	23½	
11¾	5¼	ARX			11	234	9	8⅝	8⅝	– ¼
72⅞	40⅛	ASA		5	8.6	657	46⅝	44⅝	45⅝	+ ½
22⅝	8½	AVX			13	215	17¾	17⅝	17¾	+ ⅛
66⅝	40	AbtLab	1.20	2.7	18	12016	46⅝	44⅞	45	– ¼
28	18¼	Abitibi g	.60			59	18½	18¼	18½	
15¾	8½	AcmeC	.40	3.5		29	11½	11¼	11⅝	
10½	6¼	AcmeE	.32b	4.7	21	7	6⅞	6½	6⅞	– ¼
20	14⅞	AdaEx	2.05e	16.		203	16⅛	15¾	16⅛	– ⅛
19¾	8⅞	AdamMl	.24	1.5	13	136	15¾	15½	15⅝	+ ⅛
24⅞	7½	AMD				8228	16¼	15⅞	16⅛	– ¼
58¾	28¼	AMD pf	3	7.1		9	42½	42¼	42½	– ¼
11⅞	4⅝	Adobe			13	828	8¼	8	8¼	– ¼
20¼	16¼	AdoO pf	1.84	10.		34	18¼	18	18	
31¾	17½	Adob pf	2.40	11.		5	21¼	21⅛	21⅛	
15⅝	5⅞	Advest	.12	1.7	9	36	7	6⅞	6⅞	– ⅛
64¼	28½	AetnLf	2.70	6.1	9	2226	45¼	44⅞	45	
63½	41	AhPub	.40b	.7	50	170	59	58¾	58¾	– ¼
23¾	13	Ahmans	.88	5.3	11	6648	17	16¼	16⅝	+ ⅜
4⅝	1¼	Aileen				120	3¼	3¼	3¼	– ¼
53⅞	39	AirPrd	1	2.1	12	1211	47½	46½	46¾	– ⅞

Continued on Page 49

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16¾	11	ReichTg	1.76	11.	10	32	16½	15¾	15½	
11½	4½	RelGrp	.24	4.0	4	107	6	5⅞	6	
8¾	4⅝	RepGyp	.36	6.1	27	66	6	5⅞	5⅞	
55¾	36¾	RepNY	1.20	2.7	258	x439	44⅛	43⅛	43⅞	− ⅛
61⅛	28	Reynld	.90	1.8	16	2607	49¼	48¾	49¼	+ ⅛
22⅛	6¾	Rhodes	.40	1.9	15	z85	21½	21¼	21¼	− ⅛
46¾	29½	RiteAid	.74	2.6	16	396	36⅞	36¼	36¼	− ⅝
1¼	½	RvrOak				40	11-16	⅝	⅝	− 1-16
20¾	11½	Robtsn			4	76	14½	14¼	14½	− ¼
29½	32¾	vjRobins			13	48	25¼	25	25¼	
16¾	14¾	RochG	1.60	8.3	12	67	19¾	17⅞	15	− ⅛
48¾	37	RochTl	2.72	5.9	14	136	46⅛	46¾	46⅛	+ ⅛
13¾	5⅛	Rolwy	.36	4.1	12	36	8¾	6⅝	8¾	
20⅛	14¾	RckCtr	1.64	9.7	14	452	16⅛	16⅞	18	
29⅞	14¾	Rockwl	.72	3.6	7	3555	20	19⅞	19⅞	+ ⅛
10½	4⅞	RodRen	.14e	2.2	29	72	6⅞	6½	6½	− ⅛
53¾	24	RohHaas	.92	2.9	11	1265	30⅛	31½	61¼	+ ⅛
38	12¾	Rohr			16	2714	31½	30¾	30½	− ⅛
28⅞	11½	RollinsE	.08	.4	28	4945	21	28	28⅞	+ 1⅛
24⅛	12¾	Rollins	.52	3.4	17	76	15⅝	15½	15½	
38⅛	10¾	Rorer s	.80	2.4	20	471	34	35⅝	33⅝	− ½
19¾	¾	Rotsch				202	⅛	13-16	⅞	
11¾	3¾	Rowan				2958	7⅛	6¾	7	− ¼
[illegible]										
49⅝	17½	Yorkin			16	578	48¼	47¾	48¼	+ ⅛
7¾	2¼	Zapata				373	2⅞	2¾	2⅞	+ ⅛
37	13½	Zayre	.40	1.9	11	1950	21⅛	20⅞	20¾	− ¼
16⅞	8⅞	Zemex	.40	3.2	16	3	12¾	12⅞	12⅞	
33⅝	16	ZenithE				1320	25⅞	24½	24⅞	+ ⅛
10⅛	10	Zenin n				352	10⅛	10	10⅛	
11½	1	vjZenLb				682	1⅛	1	1	
24	13½	ZenNtl	.80b	3.6	10	30	22¾	22⅛	22⅛	− ⅝
20⅛	11¾	Zero	.40	2.7	14	54	14⅛	14⅛	14⅛	+ ⅛
30¾	15	Zurnin s	.68	3.2	14	269	21¾	21	21⅛	− ¼
10¾	7⅞	Zweig	1.34e	12.		1913	u10⅛	10⅛	10¾	

Sales figures are unofficial Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months.plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Closing Prices June 9

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

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OVER-THE-COUNTER

Nasdaq national market. 3pm Prices June 9

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

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AMERICA

Dow rally falters as buyers take a breather

Wall Street

IT STOPPED raining in Iowa yesterday and Wall Street's explosive rally, which had been motivated largely by a sudden drop in corn and soybean prices, ground to a halt, *Anatole Kaletsky writes from New York.*

The Dow Jones Industrial Average bounced aimlessly through the day within a range of ten points above and below Wednesday's closing level.

The Dow flirted repeatedly with the 2110.08 post-October high it hit two months ago, but as the closing bell approached, the bulls suddenly threw in the towel and the Dow finished 9.60 down at 2093.35. Just half an hour before the close, the Dow had stood 7.47 points above its overnight level, at 2110.42.

Advancing stocks, which numbered 801, had a narrow lead over the 723 which declined and heavy trading activity carried over from the previous day with 235m shares changing hands.

There was some disappointment about the lack of follow-through from Wednesday's 48-point rally, but most analysts were satisfied with the market's behaviour, at least until the sell-off which hit prices suddenly within the last 15 minutes of trading.

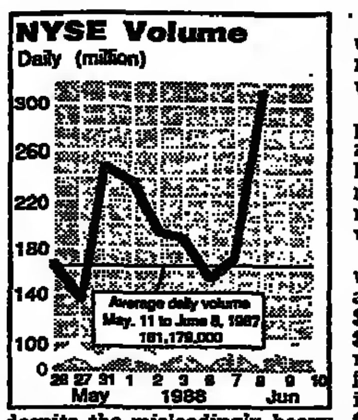
A day or two of consolidation was seen as healthy after the Dow's record-breaking advance of 146 points in just seven trading sessions. This was especially true in view of the massive technical obstacle facing the market in the shape of the post-October high of 2110.08. It would have been amazing if the market had soared past this level without taking a breather.

Analysts noted with satisfaction that repeated bouts of profit-taking and sporadic speculative selling pressures from the futures markets were easily absorbed without much impact on prices.

They were also impressed with the market's ability to hold onto its gains in the absence of any additional good news from the agricultural market or the Chicago commodity pits.

The Commodity Research Bureau index of agricultural and industrial raw material prices rose 1.83 to 258.20. This index, despite the misleadingly heavy weighting it gives to agricultural prices, has become a closely-watched indicator of inflationary sentiment and its sharp fall on Wednesday was widely cited as the main cause of the equity market's surge.

The bond market, meanwhile, was marginally weaker. The Treasury's long bond fell by 1/16 in the morning to 100 11/16, a price at which it yielded 9.048 per cent. Federal funds remained stable at about the 7¼ per cent level.



The bond market was virtually unmoved by a sharply adverse revision of US trade figures which was announced yesterday.

The Commerce Department, publishing its first set of seasonally adjusted trade figures since December 1985, revealed that much of the apparent improvement in the US deficit this year was due to seasonal factors.

It said the deficit for March, which was originally reported as a much lower than expected $9.746bn, would have been $11.945bn after seasonal adjustment. The seasonally adjusted figure for February was $14.414bn instead of the previously reported $12.994bn.

One reason for the lack of a response to apparently bad news in either the bond or stock markets was the probably recent turnaround in attitudes to the trade figures. When the good March figure was reported last month, the markets fell. Analysts argued that an unduly rapid rate of export growth would lead to economic overheating.

However, the real test of the market's responsiveness to news on trade and inflation will come within the next few days. Producer price figures for May are due to be released this morning and trade figures for April will be published next Tuesday.

Among individual stocks which traded heavily yesterday were institutional favourites like IBM, which fell $1¼ to $115¾ and General Motors, down $¾ at $77⅝.

The only important takeover-related development involved the long-standing $42 offer for USG, the building materials company, from Desert Partners, a group of corporate raiders. Desert Partners terminated its offer but USG's shares closed unchanged at $46.

Canada

SHARE prices recovered from earlier losses to close higher, buoyed by rising golds and base metals. The composite index, which had dropped about seven points in earlier trading, gained 11.20 to 3378.20. Advances outnumbered declines by 383 to 365 on turnover of 25.5m shares.

David Owen explains why June has been a buoyant month so far

Commodities pep up Toronto

BUOYANT world commodity markets have managed to pull the Toronto Stock Exchange up by its bootstraps in recent days.

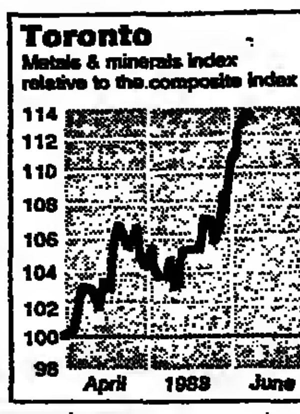
The heavily resource-oriented TSE-300 index has soared by more than 190 points since May 30 to 3,366.5 on Wednesday. This follows five months during which the market drifted aimlessly on generally insipid volume: the index has risen only 206.5 points, or 6.5 per cent, this year.

The upturn has been relatively broad-based. Currently, the star performer is the paper and forest products sub-index, which has climbed 5.7 per cent this week alone.

Much of the impetus was provided by the Kuwait Investment Office's announcement on Monday that it intends to purchase 10.3 per cent of Montreal-based Consolidated-Bathurst. KIO is offering C$19 a share and, since May 30, the stock has risen by C$2⅞ to C$17⅞. Of other forest products stocks, MacMillan Bloedel is up C$1⅛ over the same period to C$19⅝, while Canfor has risen C$2⅝ to C$28.

However, paper/forest products stocks still lie 5.3 per cent below their value at the start of the year – despite a string of positive earnings figures. The strength of the Canadian dollar – which on Wednesday closed at a five-year high against its US cousin – and its perceived impact on export earnings has done much to prompt this. Also partly responsible are projections of a weaker lumber market and potential labour disruption this summer in British Columbia.

The most consistently impressive performers so far this year are the oil and gas, and metals and mining sectors. These have climbed by 17.4 per cent and 18.4 per cent respectively.



Both gained significantly on Wednesday, when the TSE's most actively traded stock was Dome Petroleum, in anticipation of the company's annual meeting. In all, Dome rose 10 cents to C$1.20. After the market closed, shareholders of the beleaguered Calgary company voted to accept the longstanding C$5.5bn offer from Amoco Canada. On Monday, an Alberta judge will be asked to approve the deal.

Metals and minerals, meanwhile, continue to benefit from strong prices for Canadian-produced non-ferrous metals, including aluminium, nickel and zinc. The metals/minerals index reached a year's high on Wednesday of 3,046.8.

Toronto's recent surge has taken place without much help from the important precious metals sector, however. The value of gold and silver stocks traded on the exchange has dropped by 1.7 per cent so far this week and by just over 7 per cent this year.

EUROPE

Foreign investors' shopping spree takes bourses higher

TAKING their cue from Wall Street and Tokyo, European bourses bounded upwards yesterday, with increased demand from overseas buyers helping to keep a rein on profit-taking.

FRANKFURT recorded its strongest gain since mid-January as foreign investors went shopping for blue chips, spurred by the overnight gain on Wall Street and the stronger dollar.

The FAZ index closed up 10.23, or 2.2 per cent, at 470.17, amid increased demand from domestic as well as overseas investors.

Pharmaceuticals issue Schering, which received US aproval to sell its diagnostic brain tumour drug, rose DM13 to DM515.

Carmaker VW found DM2 to DM255.80, with company chairman Mr Carl Hahn forecasting annual group sales and production similar to last year's. Daimler added DM23 to DM645.

Comments from Nixdorf chairman Mr Klaus Luft that 1988 profits so far were unsatisfactory took the computer group's shares down DM5 to DM529, while energy and chemicals issue Viag added DM8.30 to DM218.80, reporting a 5 per cent rise in first quarter group sales.

Recent gainer Feldmühle Nobel saw profit-taking, losing DM2.50 to DM307.

Bonds rose in quiet trading, with the latest 6¼ per cent 1998 unit yielding 6.53 per cent after 6.56 per cent on Wednesday.

PARIS was also buoyed by foreign buying after good performances on Wall Street and in Tokyo, and share prices closed sharply higher after a little profit-taking.

The Indicateur de Tendance rose 3.3, or 2.6 per cent, to 130.

News of a government spending package on housing helped contruction-related stocks, with Dumez FFr26 higher at FFr629 and St-Gobain up FFr17.50 at FFr489.

Recently-privatised Matra put on FFr5 to FFr187, having reached FFr194.50, on news that MMB intended to double its stake to 30 per cent.

Electronics and telecommunications group Thomson-CSF forecast higher profits this year than last and rose FFr4.50 to FFr201. Oil group Elf Aquitaine added FFr8.50 to FFr338.50, reporting slightly lower first quarter turnover.

MILAN extended the previous day's gains, but ended off the session's highs as profit-taking emerged.

The MIB index rose 11 to 997. Volume was strong, pending the monthly options deadline on Monday and the end of the June trading cycle on Tuesday.

In the banking sector, Banca Commerciale Italiana dropped L50 to L1,950. The company said it had extended its offer for 51 per cent of Irving Bank of the US until June 27.

Standa, the large chain store which has been put up for sale by the Ferruzzi group, lost L650 to L18,450 after hitting a high of L20,000. Calcestruzzi, the cement maker controlled by Ferruzzi and also rumoured to be for sale, declined L399 to L9,601.

Montedison gained L45 to L1,580, with US company Dow Chemical suggested as one of the day's buyers.

STOCKHOLM reacted to the overnight gains on Wall Street with a broad rise in high turnover.

Ericsson B free shares picked up SKr2 to SKr256. The telecommunications company said it had agreed in principle to buy UK group Thorn EMI's stake in the companies' joint venture, British-based Thorn Ericsson Telecommunications.

BRUSSELS was buoyed by gains on leading equity markets and by the stronger dollar, and the stock index rose 21.8 to 4,875.91 in moderate volume.

Blue chip Petrofina traded heavily again, rising BFr125 to BFr12,300 on turnover of 19,300 shares.

Steelmaker Cockerill was also active with 161,000 shares changing hands. The company, which is forecasting profits this year after 13 years in the red, put on BFr18 to BFr222, a rise of 9 per cent.

Engineering group Acec reported reduced four-month losses and climbed BFr4 to BFr616, while Vieille Montagne increased its zinc price and rose BFr100 to BFr7,100.

ZURICH also ended higher on the stronger dollar and gains in Tokyo and New York, with the all-share index rising 7.2 to 849.5 in strong turnover.

Profit-taking cut into some of the gains and banks ended only slightly firmer.

In foods, Nestlé added SFr10 to SFr8,650, while Suchard, its rival bidder for UK confectioner Rowntree, put on SFr25 to SFr7,625. Both companies denied rumours that Suchard had sold its Rowntree stake to Nestlé.

AMSTERDAM finished stronger, although off the day's highs as investors took profits in mid-session. The ANP-CBS general index rose 5.4 to 254.4.

The steadiness of the dollar against the guilder and the strength of leading world stock markets encouraged buying by overseas institutions. Domestic investors were also active.

MADRID resumed its upward climb after pausing on Wednesday for profit-taking, and the all-share index reached a record 1988 high of 296.38.

OSLO saw its investors return and prices rose across the board. The all-share index gained 4.21 to 292.76 in active trade.

COPENHAGEN was supported by gains elsewhere in world stock markets and continued its positive trend, with the Copenhagen stock index rising 1.99 to 217.94.

London

SPECULATIVE activity in the food sector added zest to a slow market, boosting the FT-SE 100 index by 13.3 to 1,841.5.

Rumours that Nestlé and Suchard had struck a deal over bid target Rowntree, the UK confectioner, fuelled gains, in spite of denials from both Swiss companies. The session also saw widespread buying in the composite insurance sector, with strong gains for Sun Alliance.

SOUTH AFRICA

A WEAKER bullion price hit Johannesburg gold stocks yesterday as they fell slightly for the second day running.

The end of the three-day protest strike by black workers had little effect on the market.

In gold issues, Vaal Reefs declined R8 to R271 and Deelkraal slipped 25 cents to R10.75.

Platinum stocks also fell, with Impala dropping R2 to R29.

Most other mining issues followed the trend. Diamond stock De Beers and mining financial Anglo American each lost 75 cents to R35.75 and R51.75.

High-wire act tests new levels

By Carla Rapoport in Tokyo

THE LONGEST-running high wire act in the world financial arena scored a new triumph yesterday as the Nikkei average bounded over 28,000 to close at an all-time high.

At the same time, as is usually the case in Tokyo, many brokers and regulatory officials called for caution, with some saying the current boom in share prices could not be sustained for more than a few weeks. Others, with their eyes fastened on Japan's ever-expanding money supply figures, continued to predict nothing could stop the Tokyo market.

Volume was so heavy, with 2.7bn shares changing hands, that it led the TSE to shorten trading hours by 30 minutes. The move is aimed at giving market participants more time to complete mounting paperwork, and also at dampening excessive speculative activity. As a result of the change, today's afternoon session in Tokyo will begin at 1.30pm, rather than 1pm, while still closing at 3pm.

Even if the change alters sentiment in the short term, brokers predict any downturn would be short-lived. "There is still too much money here to cause a major slide. Even if the index went down 10 per cent, Japanese investors would still come back to the TSE," said Ms Sally Mason of Barclays de Zoete Wedd's Tokyo branch.

The Nikkei closed yesterday at 28,072.02. The continued rally and heavy trading have come despite the TSE's decision to tighten margin trading requirements. Since last Friday, investors buying on margin have had to put up 70 per cent collateral, as opposed to 60 per cent. If prices continue to surge, the exchange may increase the requirements again, brokers say.

The heavy volume of trading in Tokyo is mainly a result of the large investment trusts' huge cash balances, swollen by the mid-year bonus payments and funds from small savers.

Japanese institutional investors have been wary of investing their money in overseas markets since the crash in world equity prices last year. However, some brokers said yesterday that if Wall Street continued to gain, it might start to attract Japanese money again.

ASIA

Nikkei breaks down 28,000 barrier

Tokyo

BUYING enthusiasm gathered momentum following Wall Street's strong overnight rally, and the Nikkei average ended above 28,000 for the first time in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average rallied 159.37 points to close at 28,072.02 after moving between a high of 28,173.54 and a low of 27,927.50, on a volume of 2.7bn shares, the second biggest on record, compared with the previous day's 1.9bn.

News of a drop in US commodity prices and the jump above 2,100 by the Dow Jones Industrial Average encouraged individual investors and business corporations at the start of trading. Institutions, however, remained hesitant about precariously high prices. The Nikkei had failed to end above 28,000 in the previous three sessions despite passing it temporarily.

It hit 28,173.54 mid-morning yesterday but retreated as fears grew that the Tokyo Stock Exchange might further tighten margin trading in view of the recent concentration on lower-priced issues.

Investors seeking quick profits continued to seek giant-capital steels, shipbuildings and chemicals yesterday. Speculation that Nomura Securities would buy large-capitals to mark the 50th anniversary of its founding today also stimulated buying interest.

Giant-capital stocks dominated the active list, accounting for 52 per cent of total turnover. Most active was Nippon Steel with 196m shares traded, closing up Y19 at Y523 after moving between Y530 and Y509.

Low-priced issues with special incentives were mixed: Sumitomo Heavy Industries rose Y15 to Y740 and Keisei Electric Railway Y40 to Y1,290, while Tokyo Rope tumbled a maximum Y400 to Y2,110 on rumours that a large block of its shares had been transferred from one group of speculators to another.

Buying interest later spread to high-technology issues, heavy electricals and domestic demand-linked stocks.

Bonds eased on selling, triggered by fears of a possible rise in short-term interest rates. The market opened stronger, reflecting overnight gains in US bond prices, but later lost strength due to higher rates on certificates of deposit.

The yield on the bellwether 5.0 per cent government bond, due in December 1997, rose from Wednesday's 4.545 per cent close to 4.580 per cent in block trading on the Tokyo stock exchange. It later moved up another 0.01 per cent in inter-dealer trading.

Osaka Securities Exchange prices gained 87.97 to close at 27,876.11 on a turnover of 234m shares, up about 35m from the previous day. Sanoyas climbed Y55 to Y605 on rumours of speculative buying.

Hong Kong

DOMESTIC fund managers returned to the market after the strong overnight gain on Wall Street, helping to push share prices higher in the heaviest volume this year.

The Hang Seng index added 31.85 to 2,640.83 on turnover worth HK$1.8bn, up HK$600,000.

ATV lost ground, easing 2.5 cents to HK$2.08, amid rumours – denied by ATV chairman Mr Deacon Chin – that two directors of Lai Sun Garment were part of a group trying to take over the Chiu family's 40 per cent stake in ATV Holdings. Lai Sun rose 11 cents to HK$2.10.

Singapore

PROFIT-TAKING reduced the day's gains but equities closed higher, with investor confidence buoyed by the sharp gain in New York. The Straits Times Industrial index rose 2.09 to 1,042.6.

Australia

CONCERN over declining international bullion prices and an absence of foreign buyers helped push the All Ordinaries index down 0.9 to 1,590.4 after an early rally inspired by Wall Street.

● TAIPEI and Seoul rose to new highs, with the Taiwan weighted index adding 118.6 to 5,070.18 and the Seoul composite index climbing 5.84 to 737.83.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JUNE 9 1988					WEDNESDAY JUNE 8 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (88)	144.27	-0.6	117.85	119.37	3.75	145.11	118.34	119.53	145.74	91.16	136.34
Austria (16)	87.67	-0.1	71.61	78.34	2.61	87.77	71.58	78.26	98.18	84.35	88.14
Belgium (63)	124.31	-0.1	101.54	110.98	4.54	124.41	101.45	110.76	139.89	99.14	118.22
Canada (125)	124.52	+0.3	101.72	110.14	3.08	124.09	101.19	109.85	125.49	107.06	126.76
Denmark (39)	131.83	+0.7	107.69	117.40	2.48	130.93	106.77	116.32	131.83	111.42	120.23
Finland (25)	138.34	+0.9	113.00	118.40	1.77	137.11	111.81	117.07	138.34	106.78	
France (128)	99.61	+1.8	81.37	90.71	3.57	97.89	79.83	89.06	99.61	72.77	109.36
West Germany (99)	78.71	+2.3	64.29	70.36	2.64	76.96	62.76	68.76	80.79	67.78	92.17
Hong Kong (46)	106.20	+1.2	86.75	106.50	4.30	104.93	85.57	105.23	106.20	84.90	122.01
Ireland (18)	136.97	+0.6	111.88	124.15	3.82	136.10	110.99	123.09	136.97	104.60	128.84
Italy (102)	71.14	+1.1	58.11	67.96	2.95	70.38	57.39	67.04	81.74	62.99	99.67
Japan (456)	174.76	+1.4	142.75	138.31	0.52	172.43	140.61	136.52	177.27	133.61	161.25
Malaysia (36)	144.12	+0.0	117.73	142.79	2.55	144.14	117.54	143.03	144.14	107.83	170.15
Mexico (14)	165.75	+2.0	135.39	412.27	1.21	162.45	132.48	400.53	176.90	90.07	226.35
Netherland (38)	107.60	+1.8	87.89	94.80	4.88	105.68	86.18	93.02	111.20	95.23	118.18
New Zealand (21)	82.11	+1.2	67.07	62.39	5.85	81.13	66.16	61.64	82.11	64.42	97.41
Norway (25)	126.47	+1.9	103.31	107.59	2.80	124.11	101.21	105.37	132.23	98.55	139.65
Singapore (26)	119.63	+0.0	97.72	111.39	2.25	119.65	97.58	111.19	119.65	97.99	142.19
South Africa (60)	134.39	-0.5	109.78	86.72	5.06	135.12	110.19	87.84	139.07	118.16	164.24
Spain (42)	163.27	+0.2	133.37	140.76	3.07	162.92	132.86	140.02	163.27	130.73	114.25
Sweden (36)	124.20	+0.3	101.45	110.27	2.27	123.78	100.94	109.76	125.50	96.92	114.46
Switzerland (55)	81.08	+0.2	66.23	72.18	2.36	80.95	66.02	71.42	86.75	75.60	92.82
United Kingdom (327)	138.96	+0.6	113.51	113.51	4.30	138.18	112.68	112.68	141.18	123.09	150.60
USA (578)	110.04	-0.4	89.89	110.04	3.55	110.52	90.13	110.52	110.52	99.19	122.32
Europe (1013)	110.60	+1.0	90.34	95.20	3.74	109.53	89.32	94.10	110.60	97.01	120.89
Pacific Basin (673)	170.85	+1.3	139.56	136.16	0.71	168.69	137.56	134.47	172.26	130.81	158.77
Euro-Pacific (1686)	146.76	+1.2	119.88	119.87	1.63	145.04	118.28	118.41	147.53	120.36	143.65
North America (703)	110.81	-0.4	90.52	110.07	3.52	111.24	90.71	110.49	111.24	99.78	122.55
Europe Ex. UK (686)	92.99	+1.3	75.96	83.77	3.23	91.76	74.83	82.48	92.99	80.27	102.46
Pacific Ex. Japan (217)	123.79	+0.7	101.12	109.22	3.92	123.68	100.86	108.84	123.79	87.51	128.56
World Ex. US (1885)	145.89	+1.1	119.17	119.33	1.71	144.23	117.62	117.94	146.49	120.26	143.33
World Ex. UK (2136)	131.38	+0.7	107.31	116.38	2.08	130.53	106.44	115.62	131.38	111.77	133.61
World Ex. So. Af. (2403)	132.02	+0.7	107.84	116.31	2.27	131.06	106.96	115.52	132.02	113.26	134.92
World Ex. Japan (2007)	111.54	+0.1	91.11	104.75	3.63	111.41	90.86	104.56	111.54	100.00	122.69
The World Index (2463)	132.04	+0.6	107.85	116.10	2.29	131.19	106.99	115.34	132.04	113.37	135.11

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).